Official Title:
Forecasting Changing Labor Conditions

Advanced HR Program

April 25, 2002

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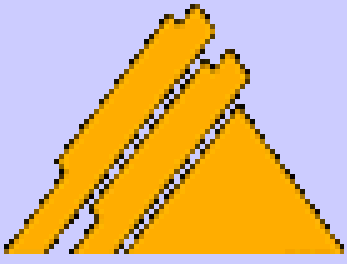
School of Public Policy and Social Research



HOW ABOUT ANY TUESDAY THIS YEAR?
NO, I'M BOOKED.
YOU HAVE THE HIGHEST RATIO OF UNAVAILABILITY TO USEFULNESS I'VE EVER SEEN.
DOES THAT SOUND LIKE AN INSULT?
IF I COULD DO MATH I WOULDN'T BE WORKING IN HUMAN RESOURCES.
www.dilbert.com scottadams@aol.com
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What Might Break the HR Trend?

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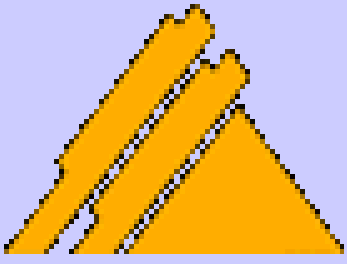

Looking for Plan B

Daniel J.B. Mitchell

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What Might Break the HR Trend?: *Looking for Plan B*

Advanced HR Program

April 25, 2002

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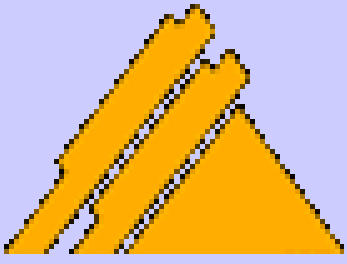
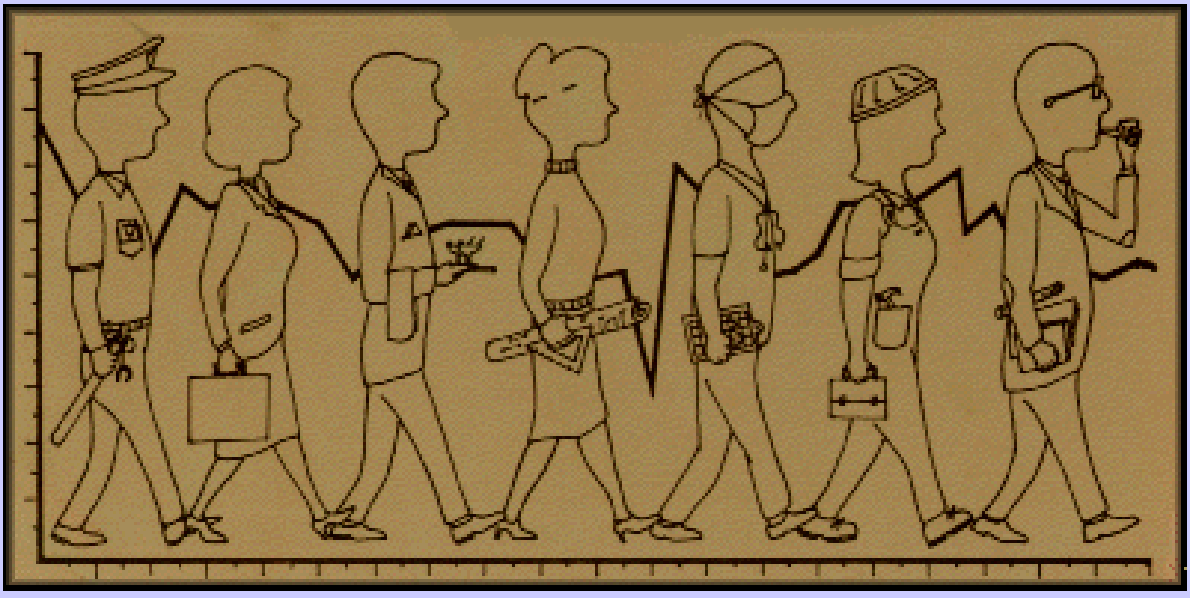


A trend is a trend is a trend
But the question is, will it bend?
Will it alter its course through some unforeseen force and come to a premature end?

Sir Alec Cairncross

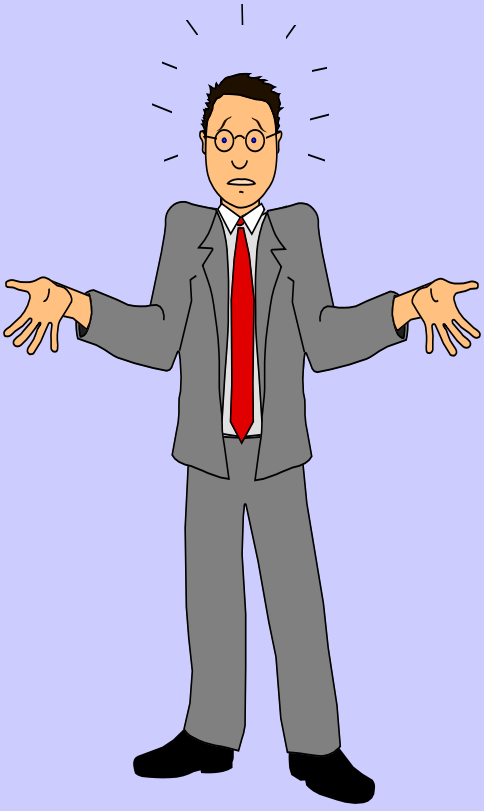
“That which cannot go on forever must come to an end.”

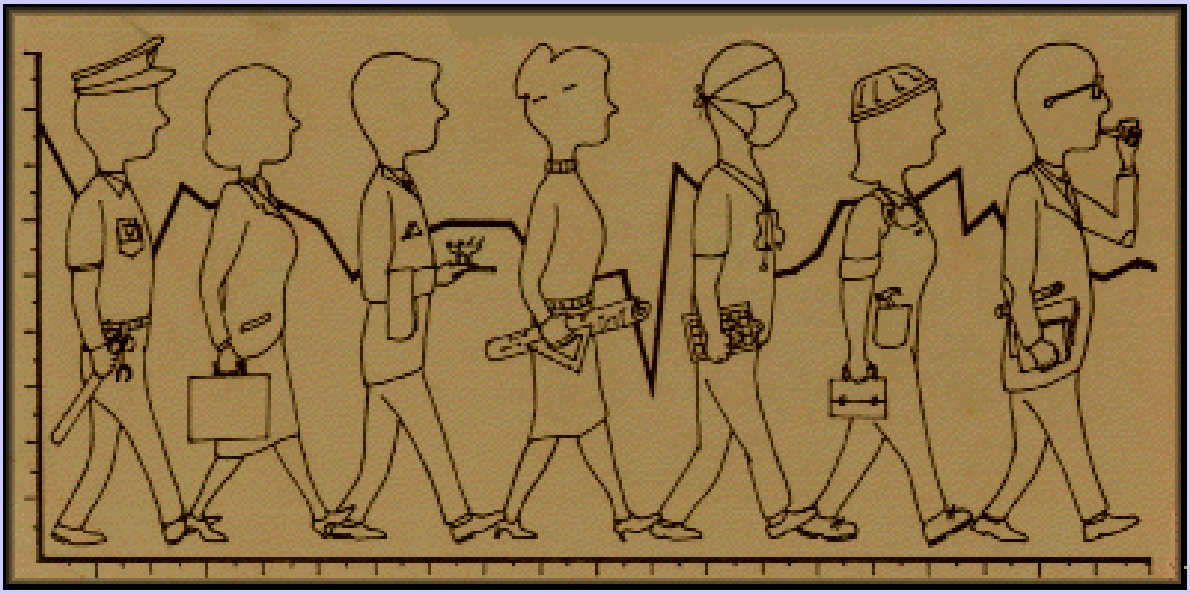
Herb Stein



What is the HR trend?

And what caused it?

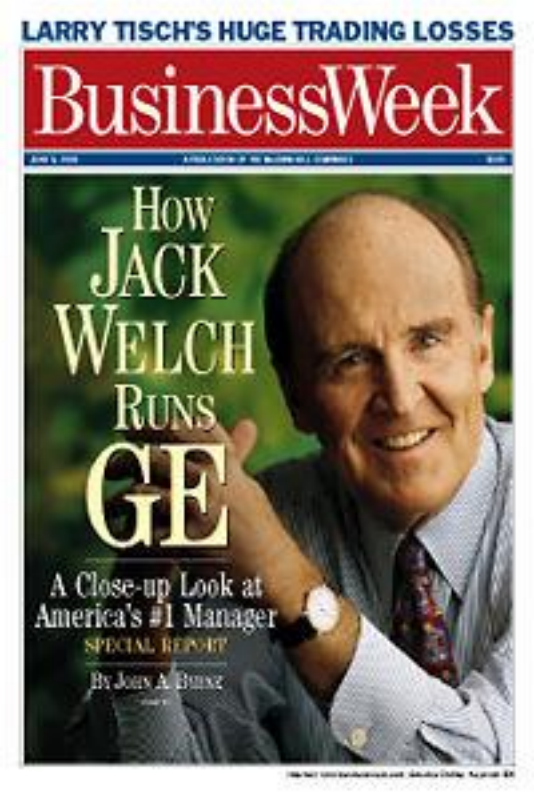


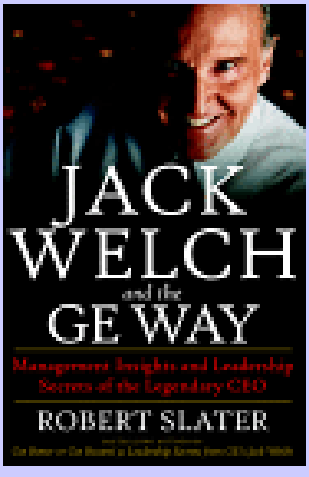


Loosening of the Employment Relationship

- *Contingency in employment*
- *Contingency in pay*
- *Fall in unionization*
- *Less "protection"*

The Jack Welch Model

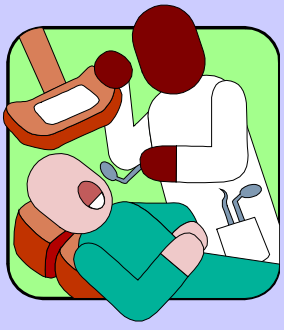

LARRY TISCH'S HUGE TRADING LOSSES
BusinessWeek
How Jack Welch Runs GE
A Close-up Look at America's #1 Manager
SPECIAL REPORT



"At the end of the week we cut your paycheck… we start afresh on Monday."

At least his wife loves him.

CRADLE

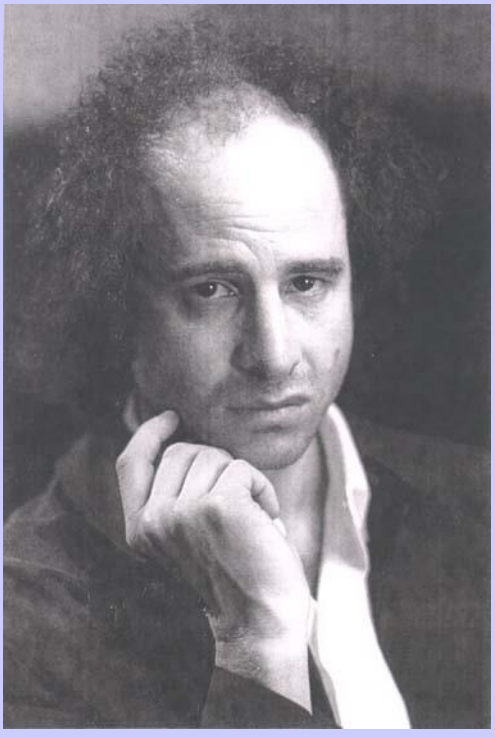


TO

GRAVE

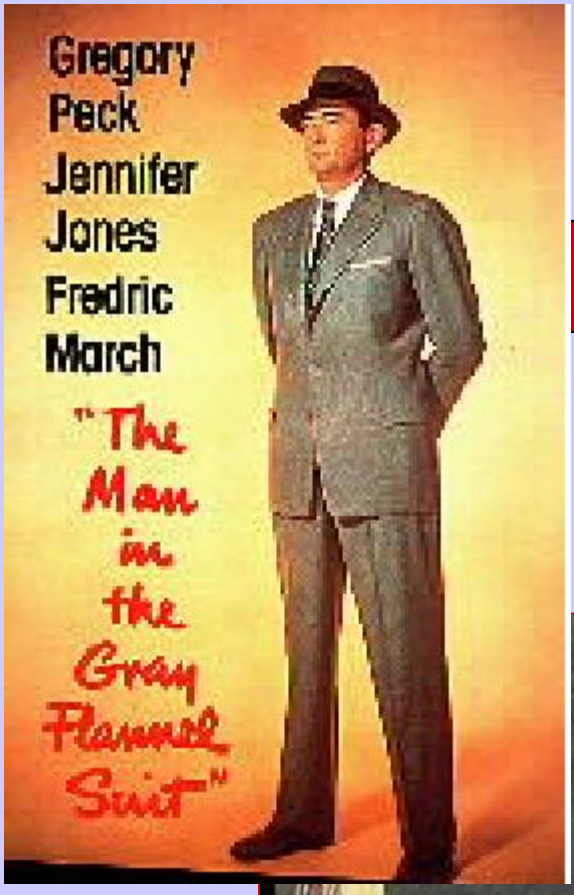
“You can’t have everything. Where would you put it?’

Stephen Wright



Decline of 1950s Model

The Changing Employment Relationship



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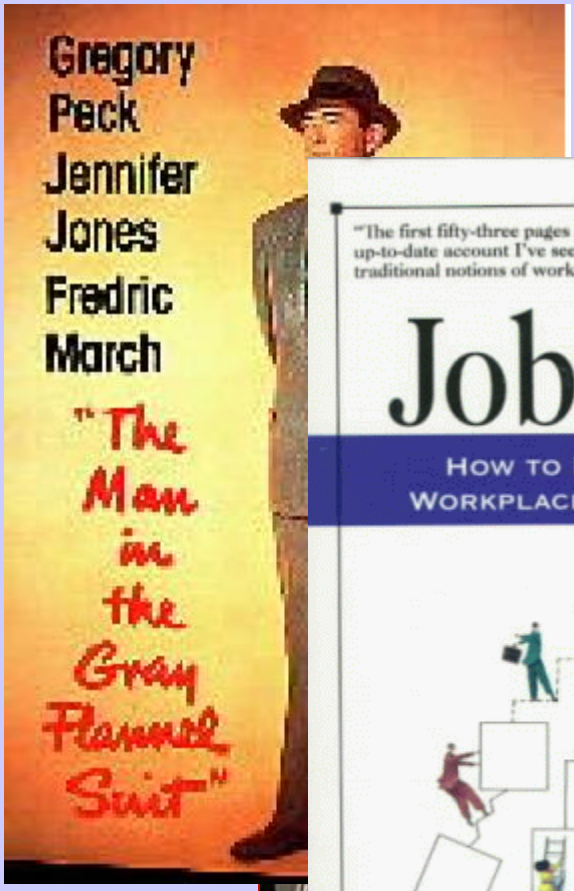
The Changing Employment Relationship



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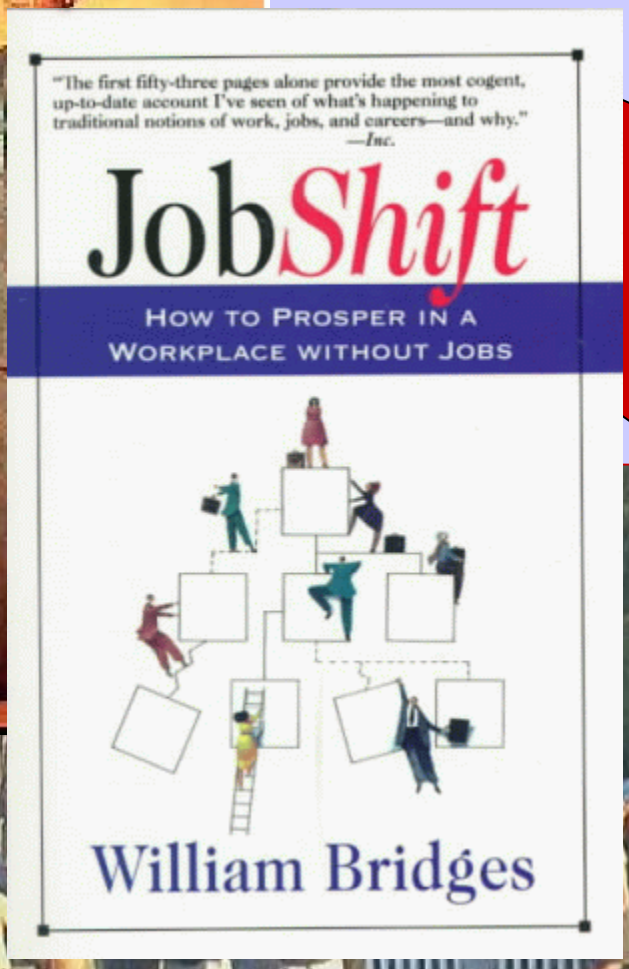
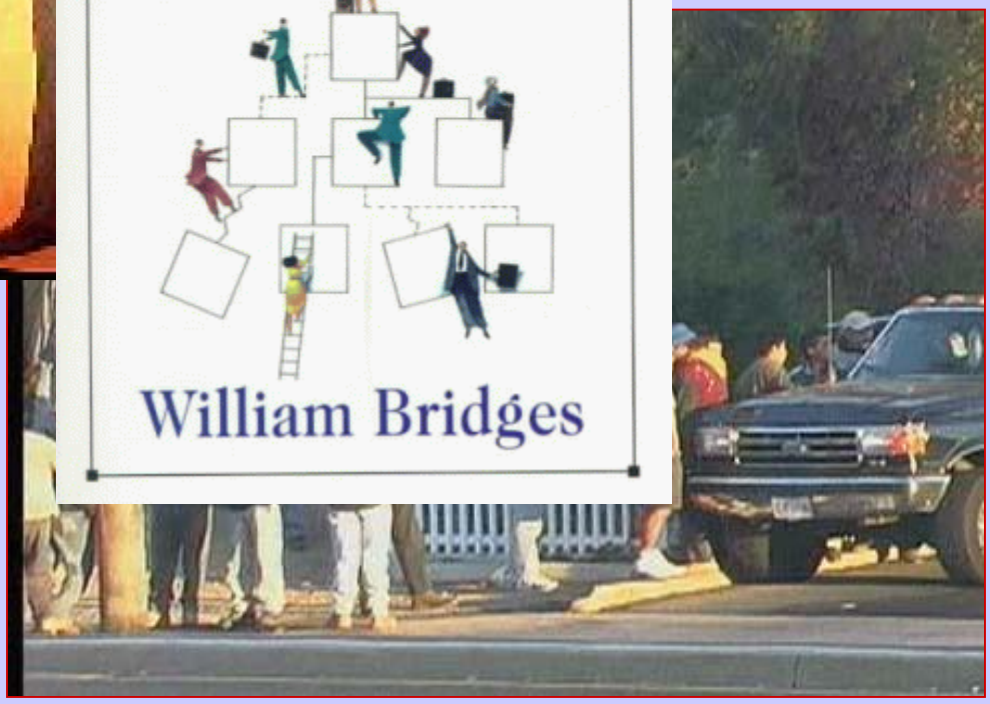
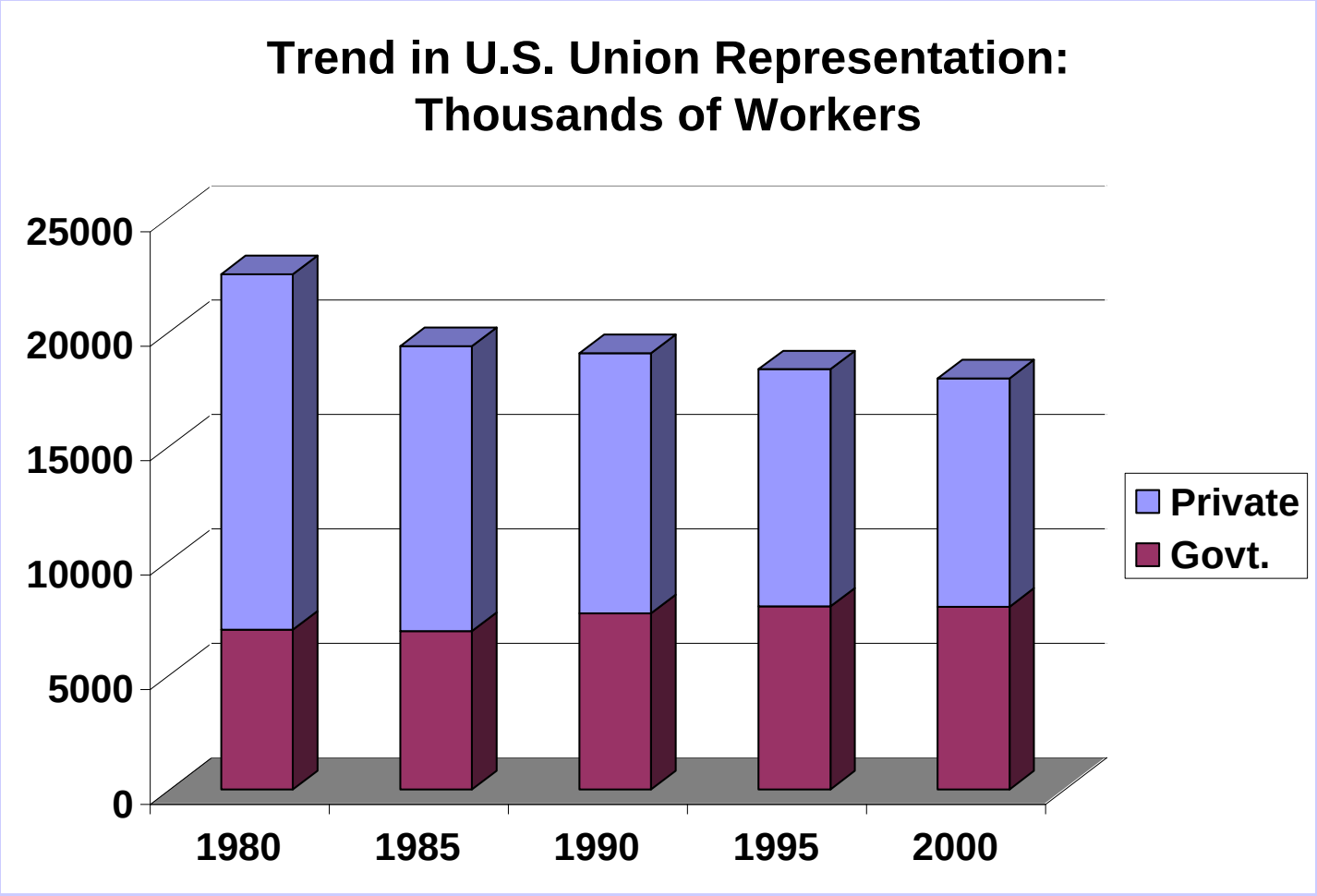

"The first fifty-three pages alone provide the most cogent, up-to-date account I've seen of what's happening to traditional notions of work, jobs, and careers—and why."
—Inc.
JobShift
HOW TO PROSPER IN A WORKPLACE WITHOUT JOBS
William Bridges

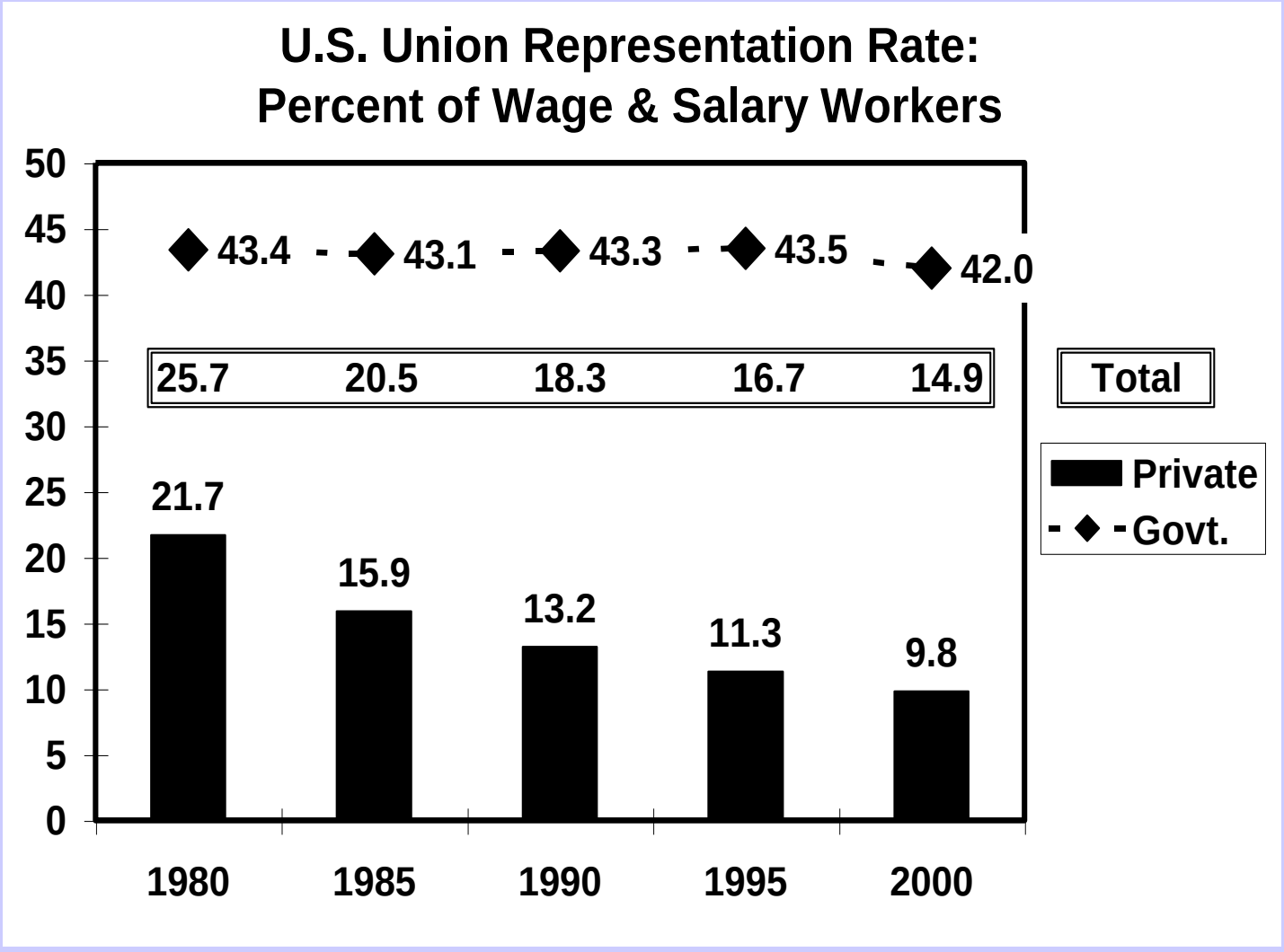


Shrinking Unions

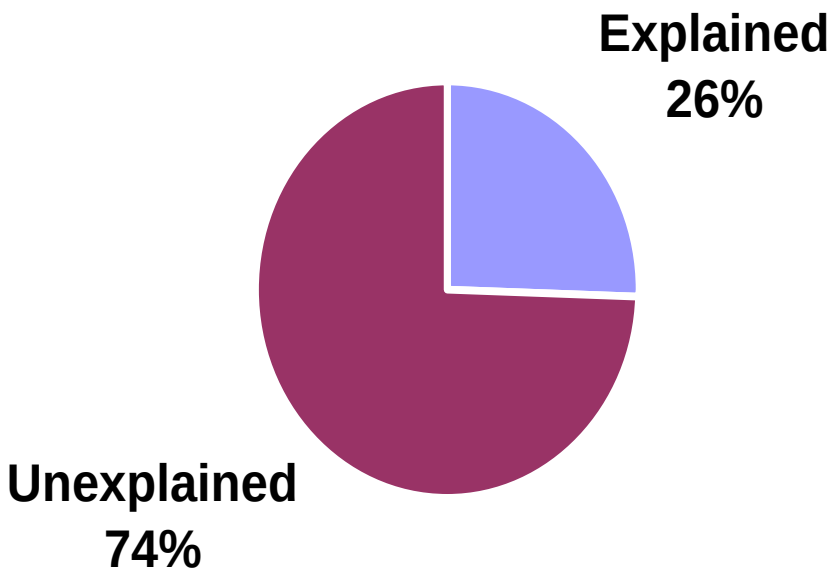
Shrinking Unions

Shrinking Unions

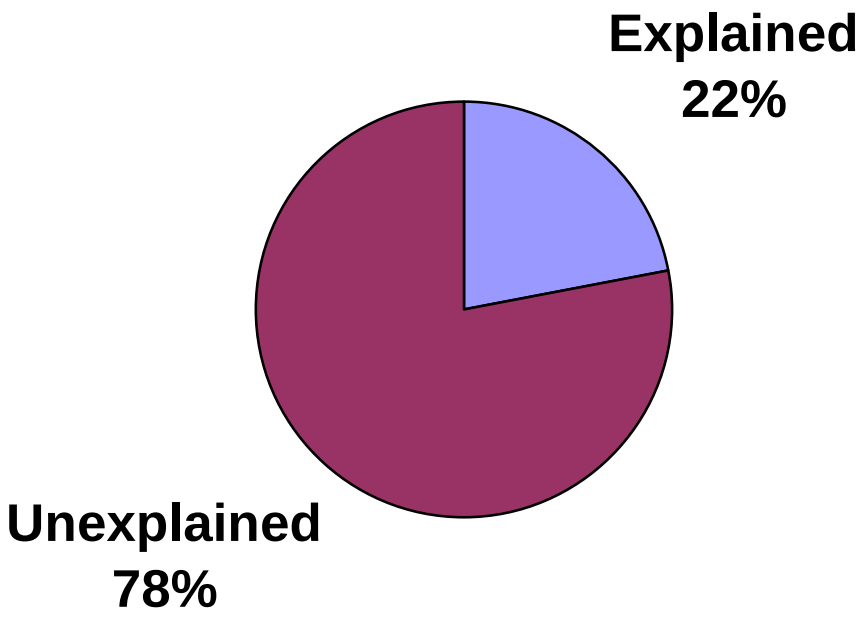

Trend in U.S. Union Representation:
Thousands of Workers
25000
20000
15000
10000
5000
0
1980
1985
1990
1995
2000
Private
Govt.

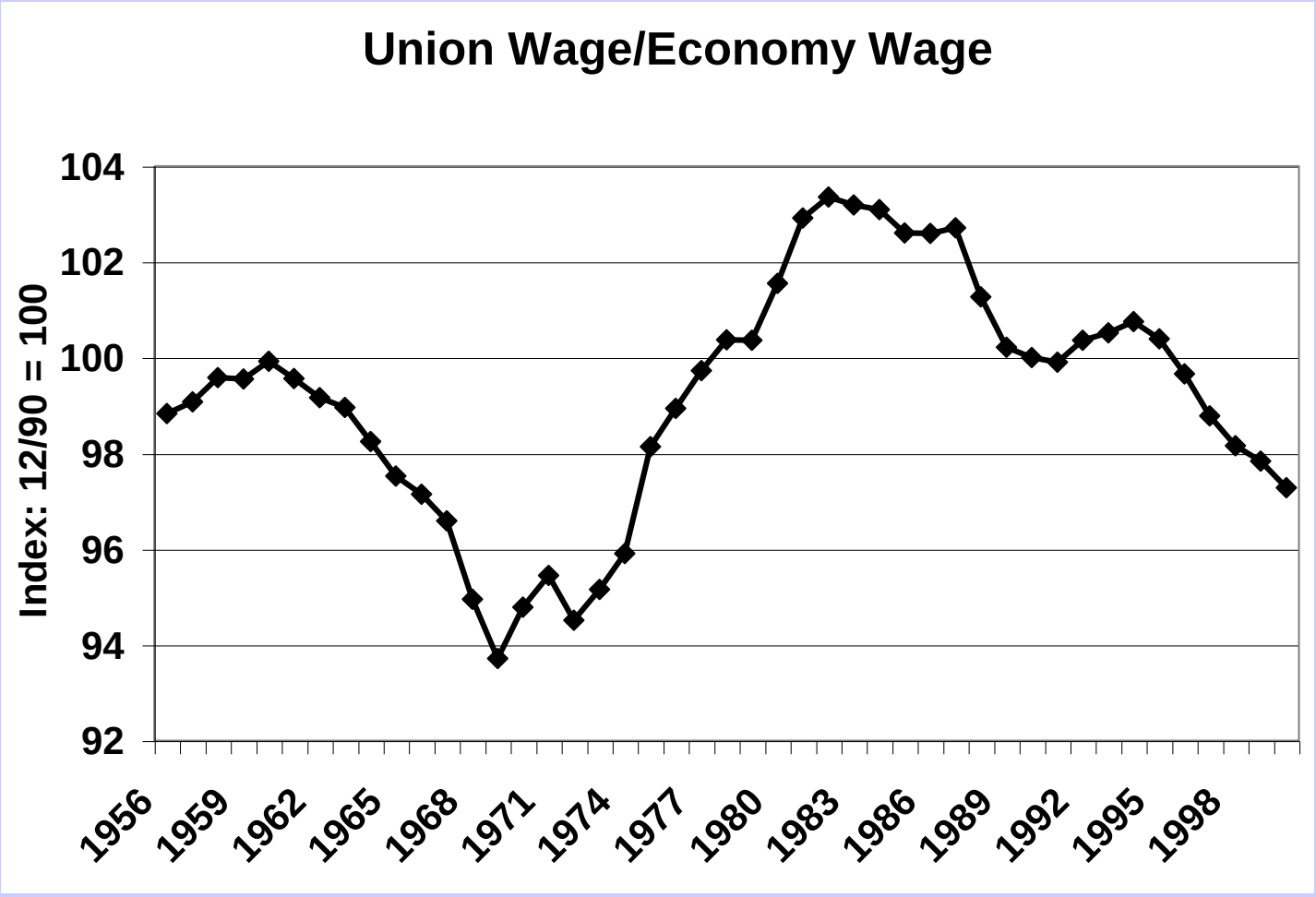

U.S. Union Representation Rate:
Percent of Wage & Salary Workers
50
45
40
35
30
25
20
15
10
5
0
43.4
43.1
43.3
43.5
42.0
25.7
20.5
18.3
16.7
14.9
Total
Private
Govt.
21.7
15.9
13.2
11.3
9.8
1980
1985
1990
1995
2000

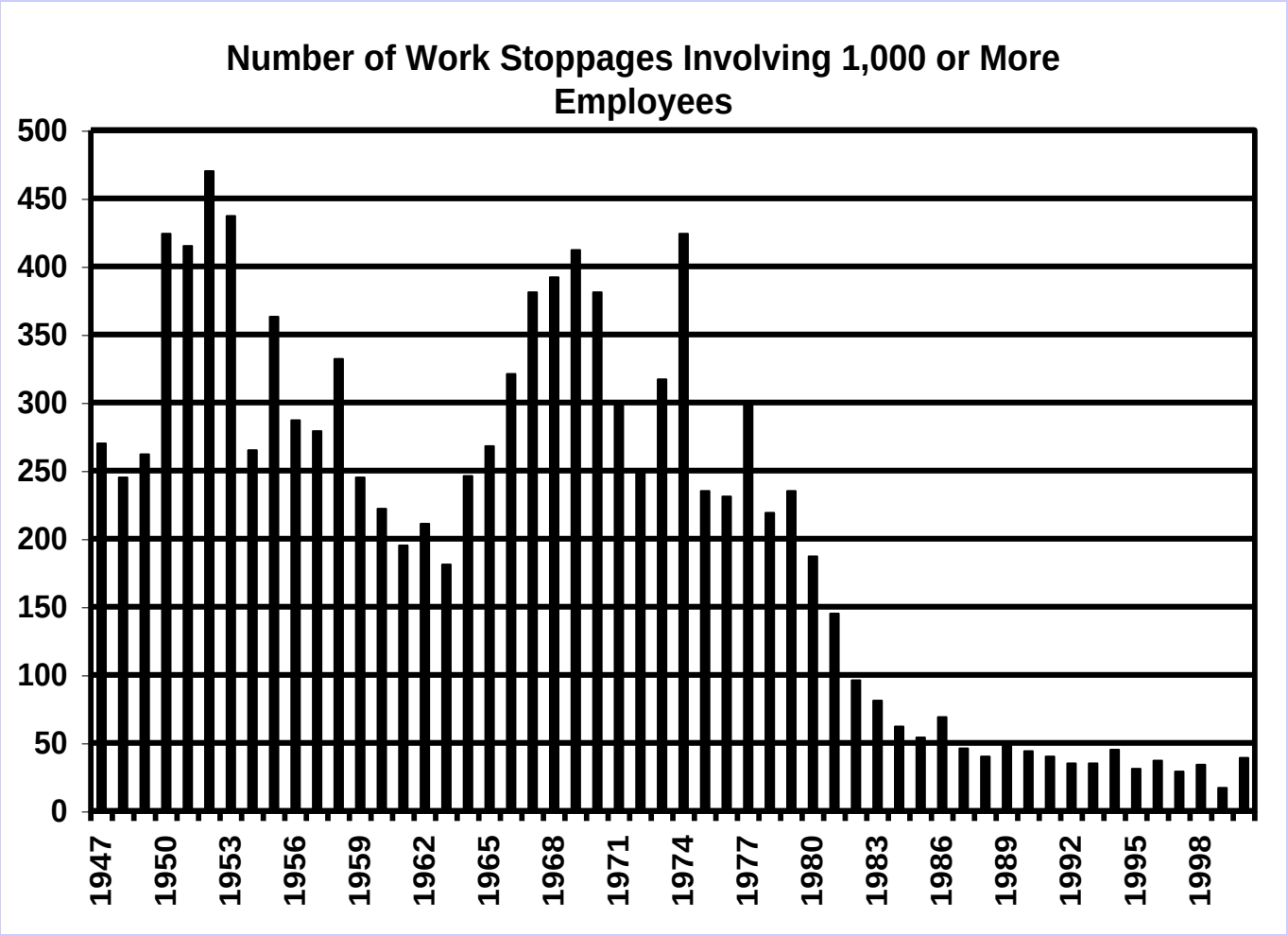
Portion of Drop in Total Unionization Rate Explained and Unexplained by Industry Mix Change: 1980-2000



Portion of Drop in Private Unionization Rate Explained and Unexplained by Industry Mix Change: 1980-2000




Union Wage/Economy Wage
Index: 12/90 = 100
104
102
100
98
96
94
92
1956
1959
1962
1965
1968
1971
1974
1977
1980
1983
1986
1989
1992
1995
1998



Strikes are now rare

Compensation: Wages

Decline of formal wage escalation

- **Union decline**
- **Drop in concern about inflation**

Alternative Pay Systems

- **Piece rates**
  - **Mentioned in a fourth of union contracts**
- **Profit sharing**
  - **One third of Chamber of Commerce respondents**
  - **One eighth of full-time employees in govt. survey**
- **Gain sharing**
  - **Small, probably under 5%**
- **ESOPs**
  - **11% of Chamber of Commerce respondents**
  - **Under 4% of full-time employees in govt. survey**
- **Stock options**

Alternative Pay Systems

Stock options:

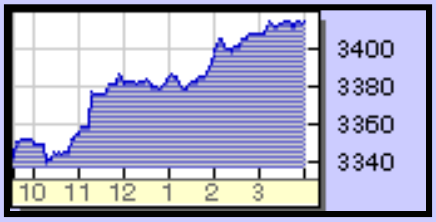
- 1.7% of non-executive employees in 1999
- Up from less than 0.5% in 1993
- 5.3% of employees in establishments with publicly-traded stock
  - One fifth of executives
  - 2% of employees making less than US$35,000
  - 27% of non-executives making > US$75,000

Alternative Pay Systems

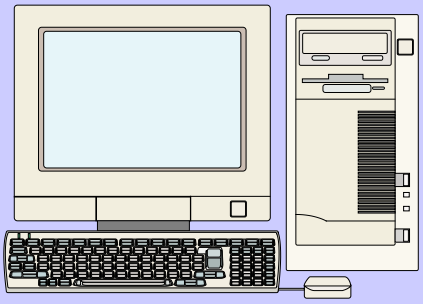
"In my view, management overrates the motivational appeal of mackeral."

Trend Makers?

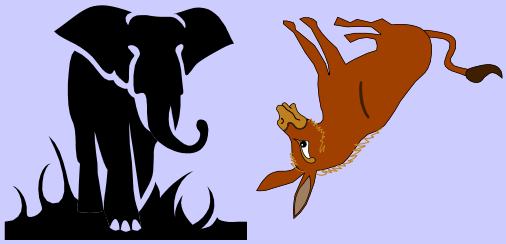
- **Economic Developments**



- **Technological Developments**



- **Political/Policy Developments**

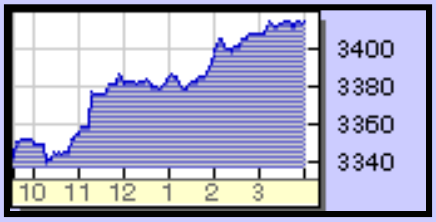


- **World Events**

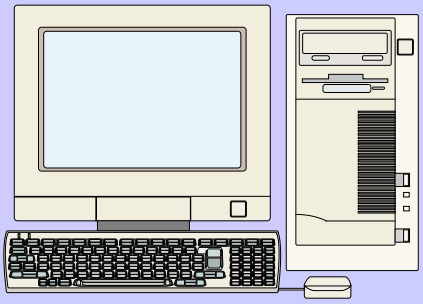
- **Demographics**

Trend Breakers?

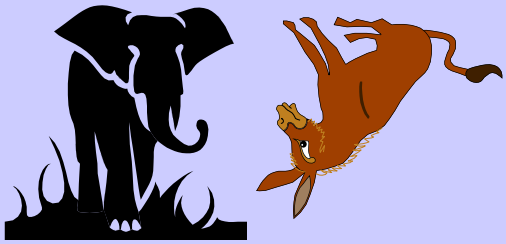
- **Economic Developments**



- **Technological Developments**



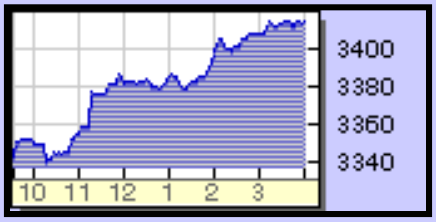
- **Political/Policy Developments**



- **World Events**

- **Demographics**

Economic Developments

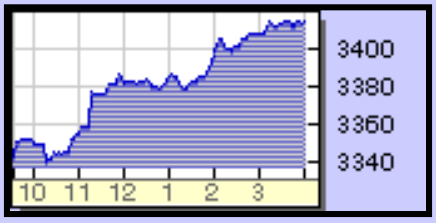


Boom and Bust?

Roaring 20s

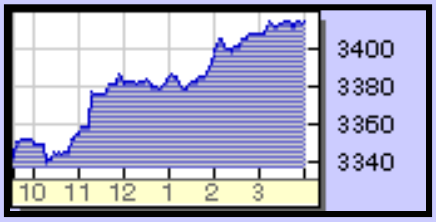
Great Depression of the 1930s

Economic Developments



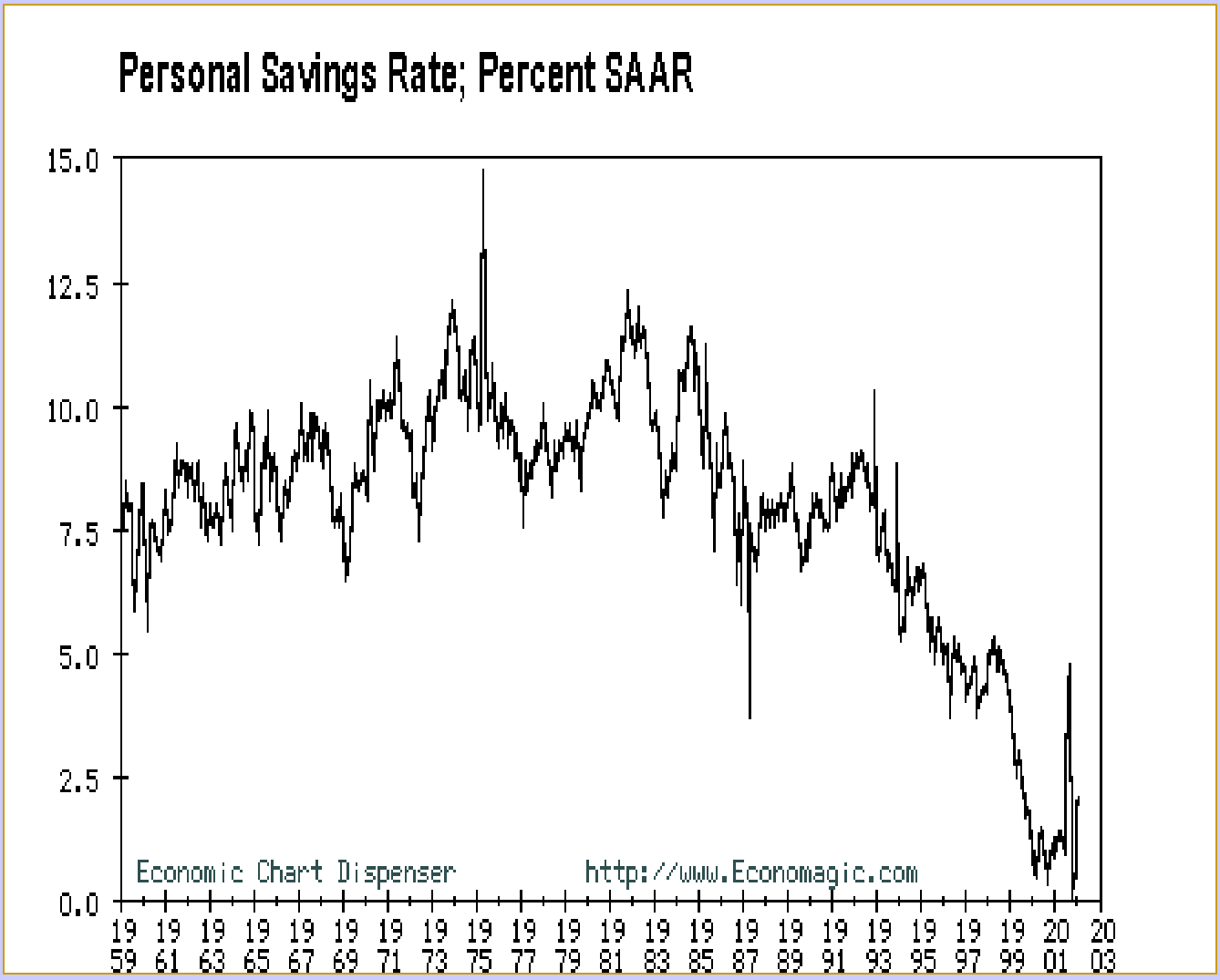
Boom and Bust?

Economic Developments

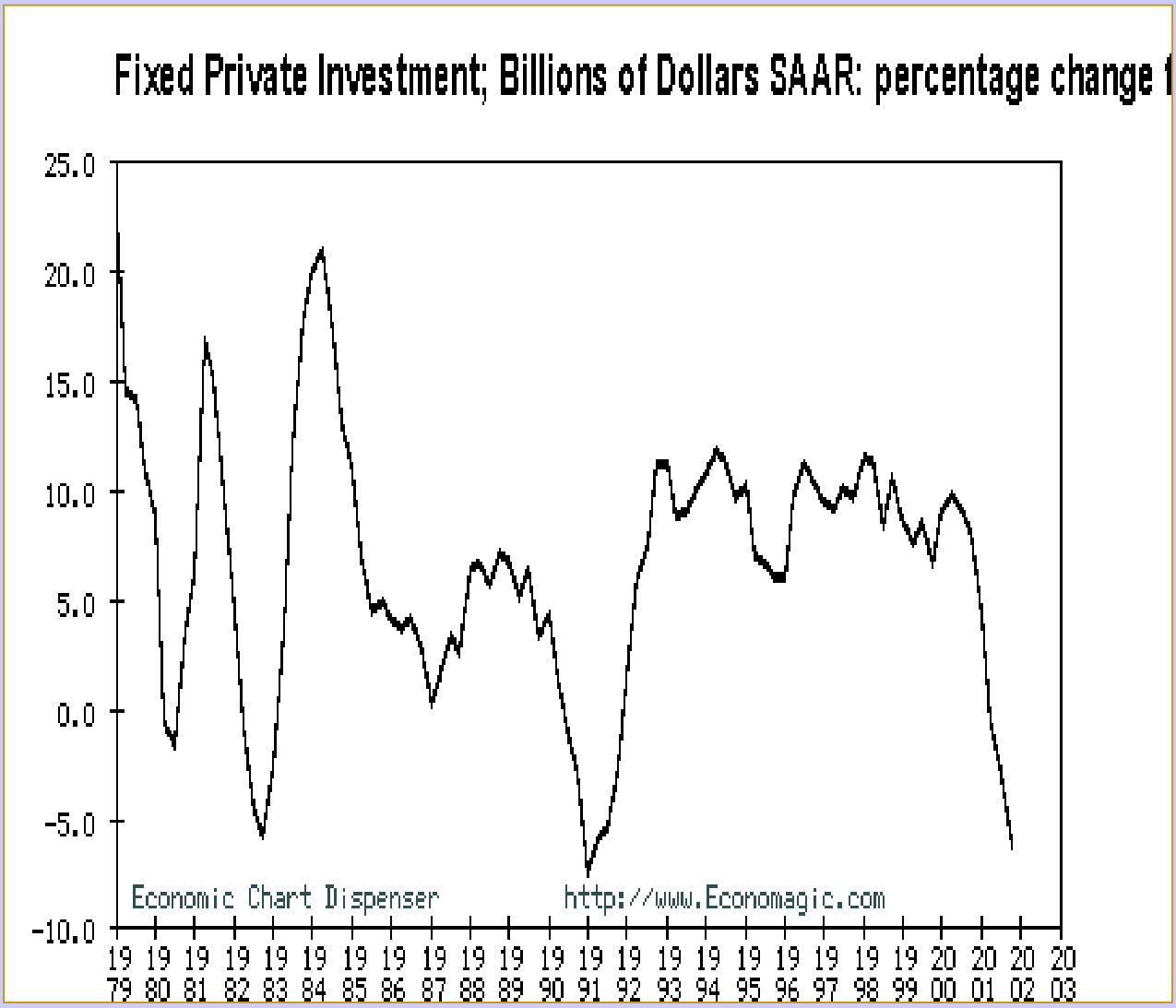


- **Low consumer saving**
- **Over-investment in tech**

How long can consumers keep going?

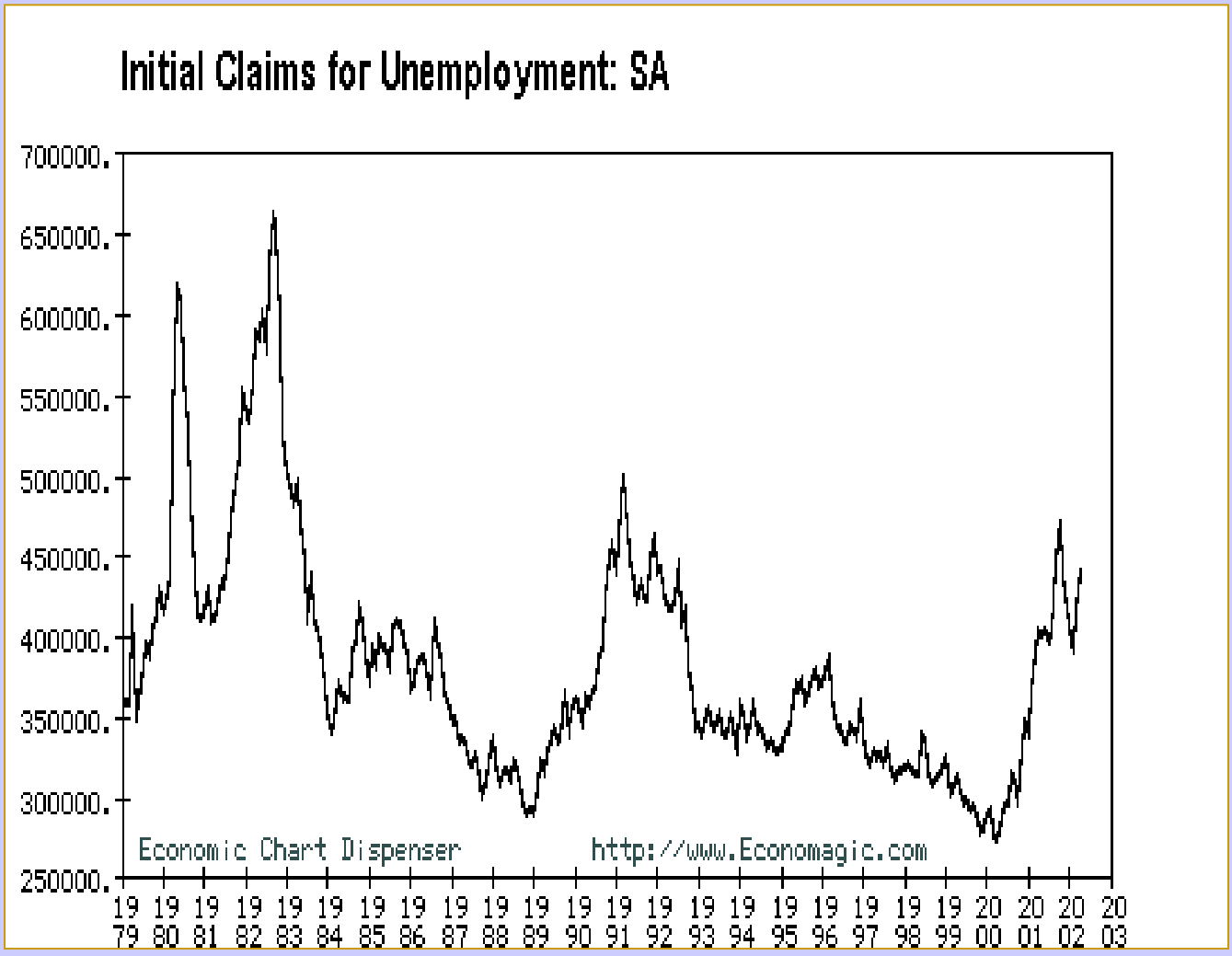


When will investors regain confidence?

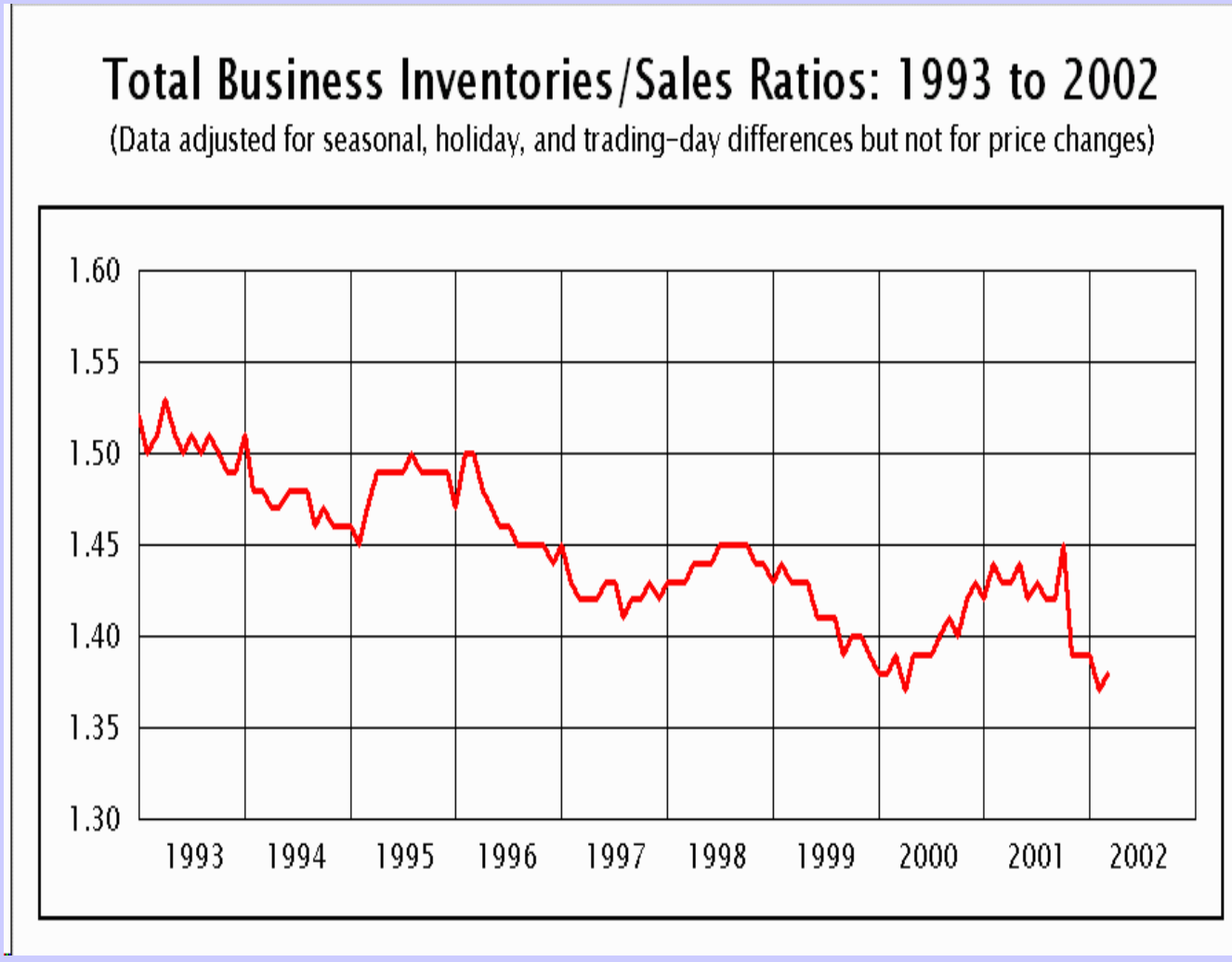


Percent change from same period previous year.

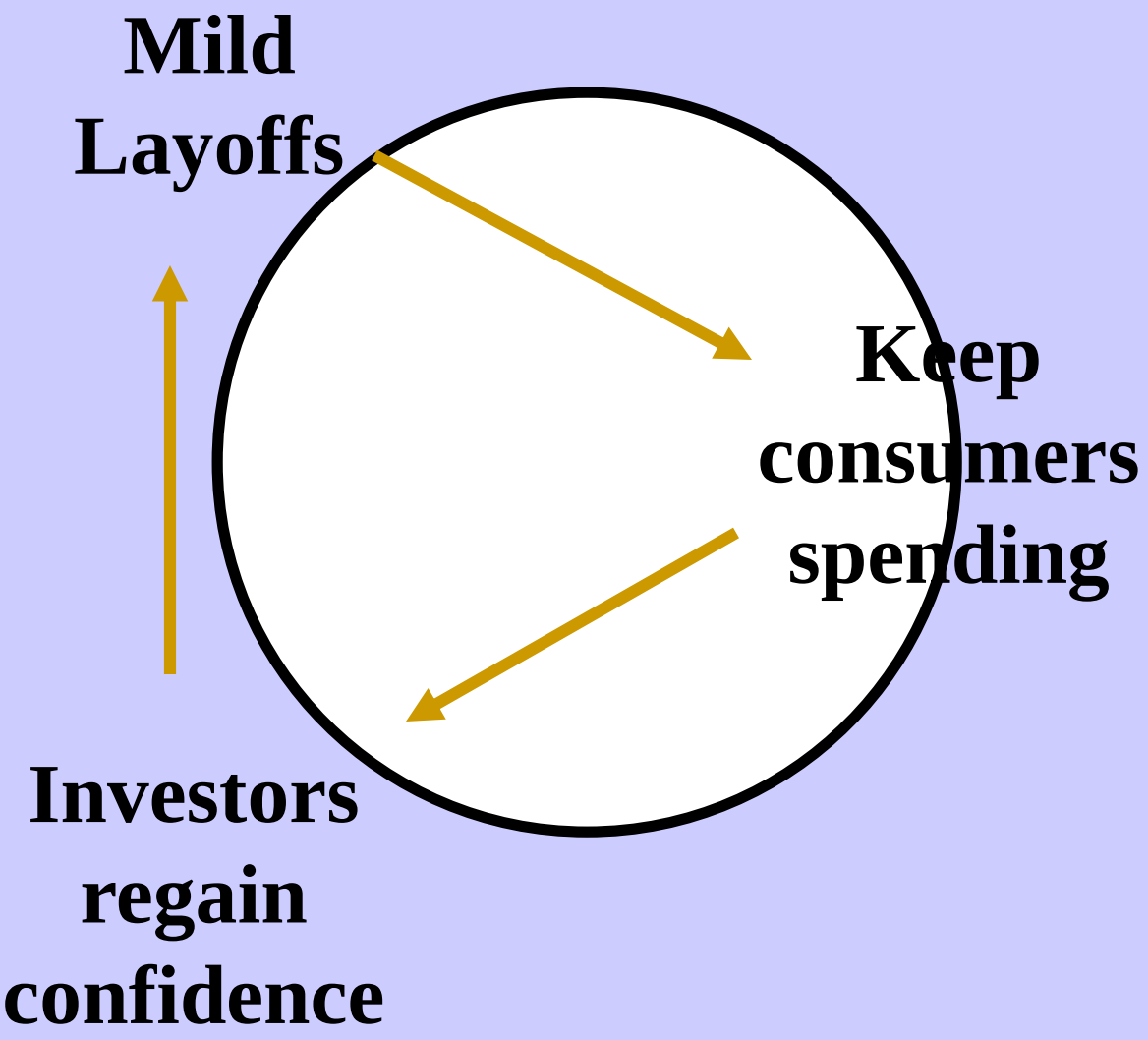
Layoffs have been surprisingly mild



Excess Inventories are Falling



Will the virtuous circle hold up?

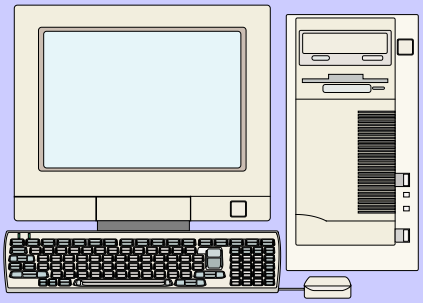


Consensus Forecast

- **US economic recovery after very mild recession**
- **Not the "roaring nineties" but continued growth in 2000s**
- **US recovery helps pull Europe, Japan, developing nations out of stagnation**

Plan B?

Technological Developments

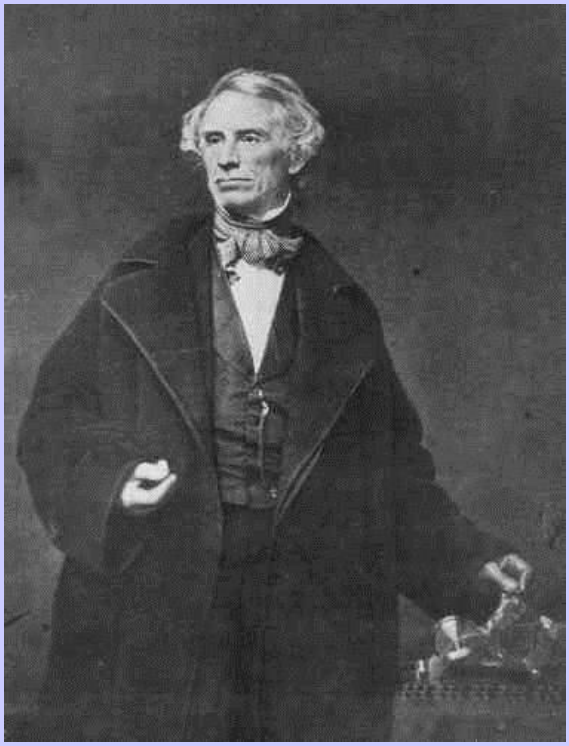


- **Changes in skills**
- **Ability to communicate and coordinate**
- **Job search techniques**
- **Scale of production**

monster Search Jobs

Changes in technology

- *Create new products and may make old ones obsolete*
- *Create demand for occupations tied to new technology; may reduce demand for occupations tied to old technology*



Samuel F.B. Morse

Changes in technology

- *Create new products and may make old ones obsolete*
- *Create demand for occupations tied to new technology; may reduce demand for occupations tied to old technology*

Alexander Graham Bell

Changes in technology

- *Create new products and may make old ones obsolete*
- *Create demand for occupations tied to new technology; may reduce demand for occupations tied to old technology*

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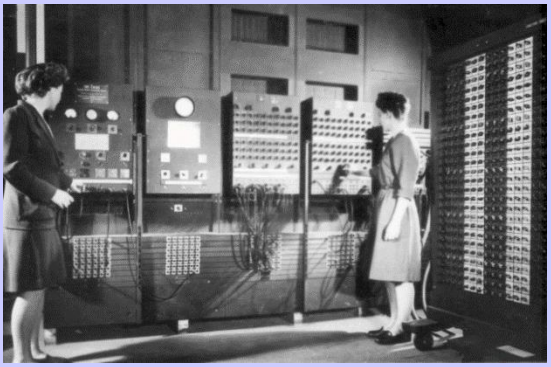
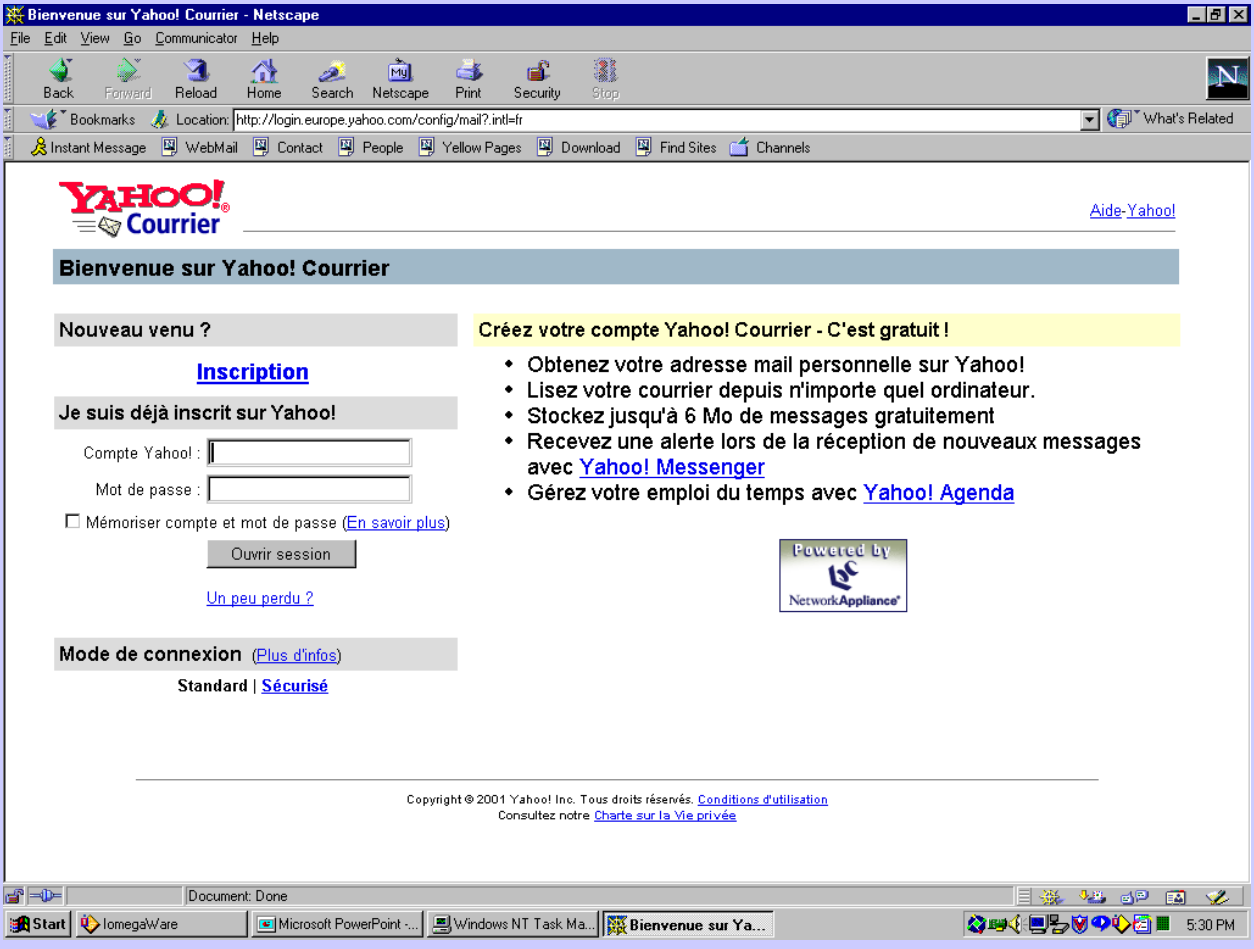


Changes in technology


Bienvenue sur Yahoo! Courrier - Netscape
File Edit View Go Communicator Help
Back Forward Reload Home Search Netscape Print Security Stop
Bookmarks Location: http://login.europe.yahoo.com/config/mail?.intl=fr
What's Related
Instant Message WebMail Contact People Yellow Pages Download Find Sites Channels
YAHOO! Courrier
Aide-Yahoo!
Bienvenue sur Yahoo! Courrier
Nouveau venu ?
Inscription
Je suis déjà inscrit sur Yahoo!
Compte Yahoo! :
Mot de passe :
Mémoriser compte et mot de passe (En savoir plus)
Ouvrir session
Un peu perdu ?
Mode de connexion (Plus d'infos)
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Créez votre compte Yahoo! Courrier - C'est gratuit !
Obtenez votre adresse mail personnelle sur Yahoo!
Lisez votre courrier depuis n'importe quel ordinateur.
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Recevez une alerte lors de la réception de nouveaux messages avec Yahoo! Messenger
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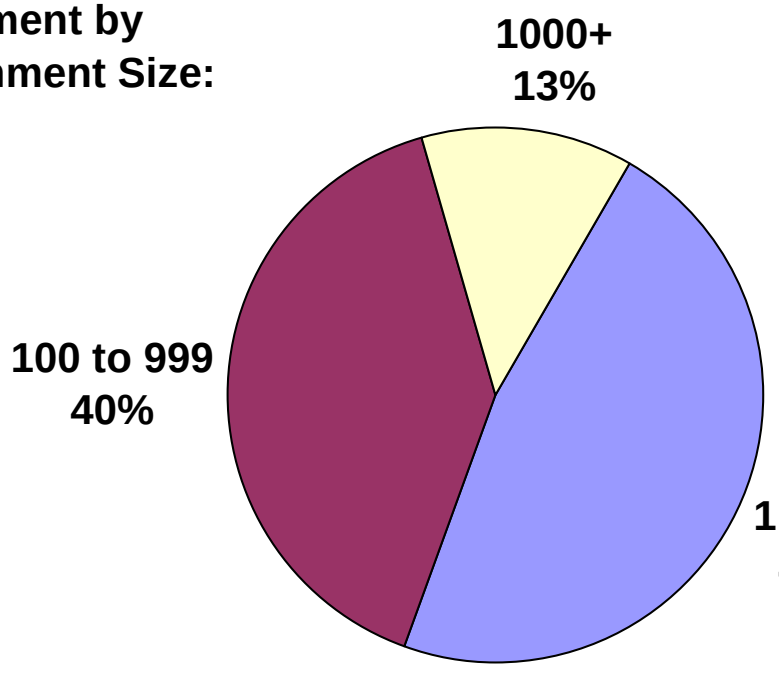
Start IomegaWare Microsoft PowerPoint -... Windows NT Task Ma... Bienvenue sur Ya... 5:30 PM

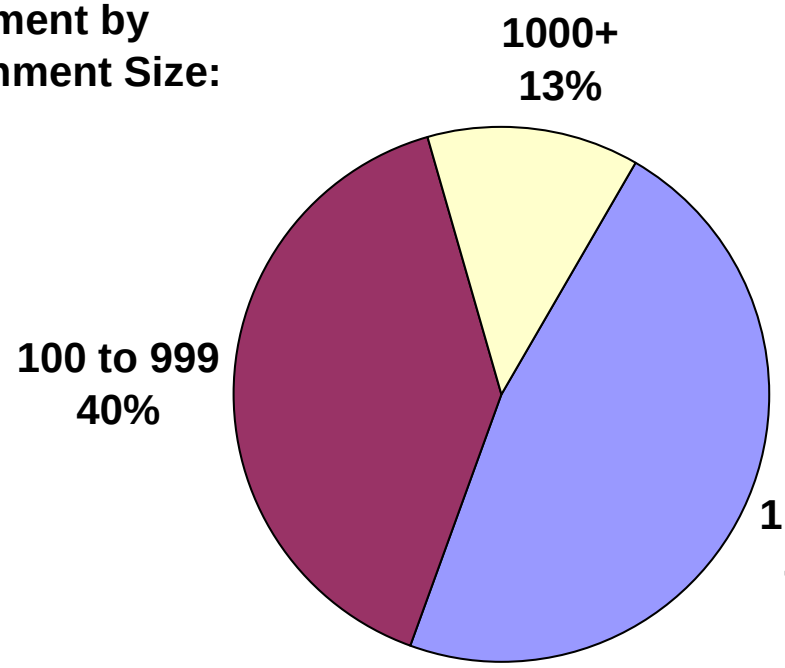
Scale of Production Changes

Distribution of Employment by Establishment Size: 1979

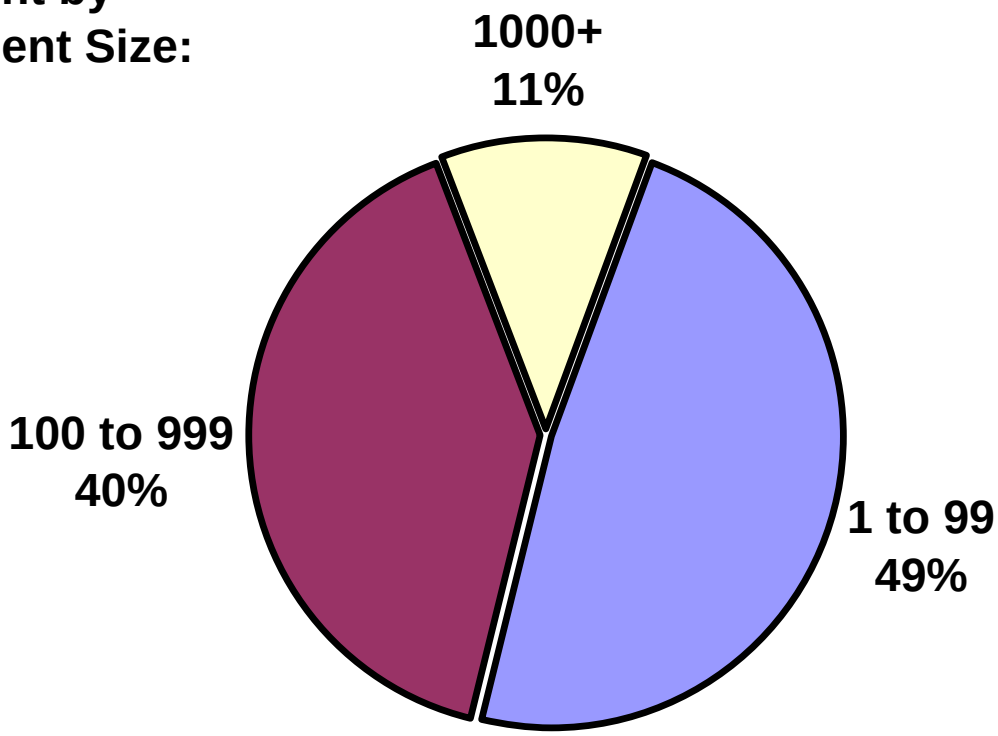


Source: County Business Patterns

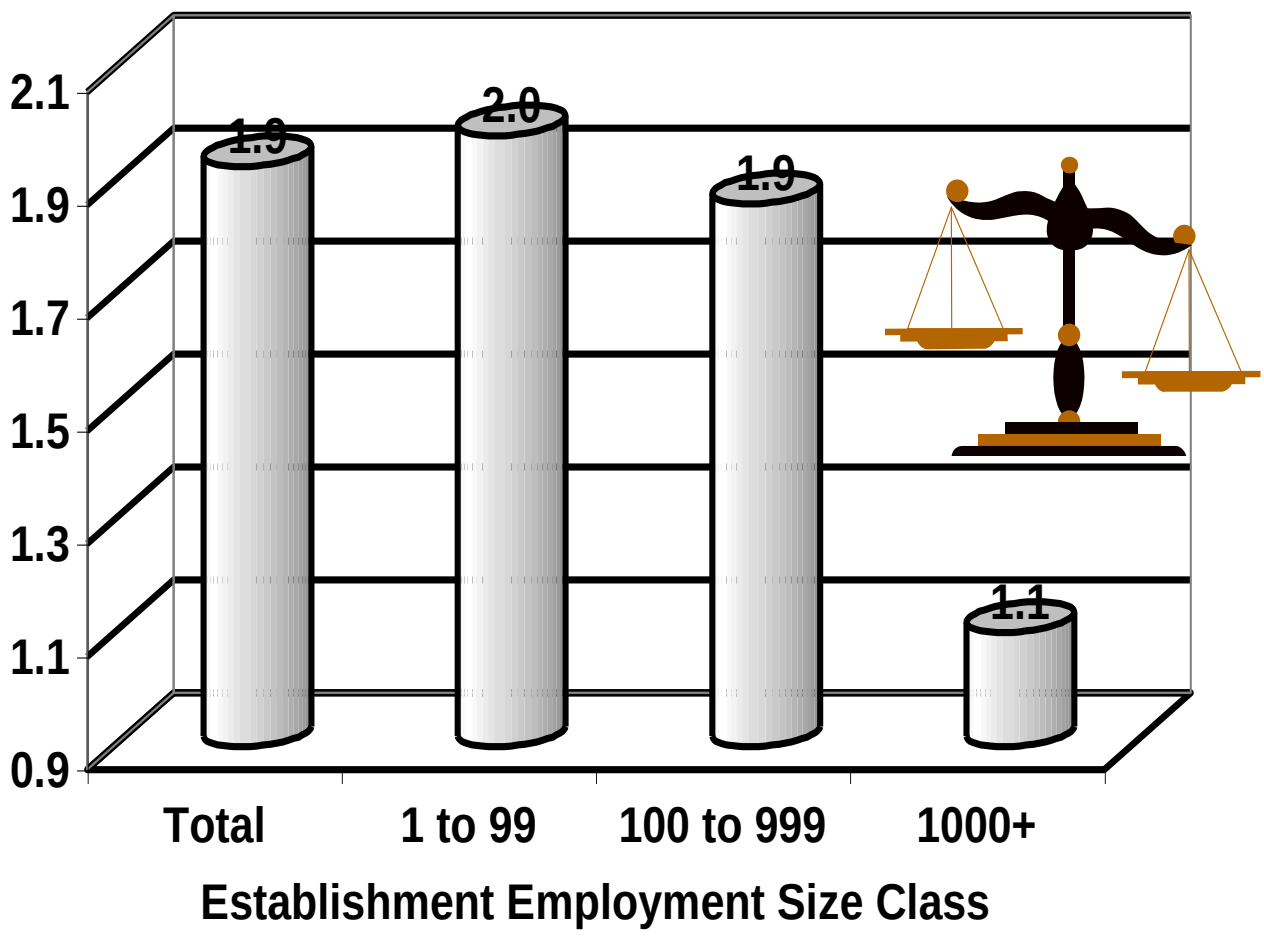
Distribution of Employment by Establishment Size: 1979



Distribution of Employment by Establishment Size: 1997



Scale of Production Changes

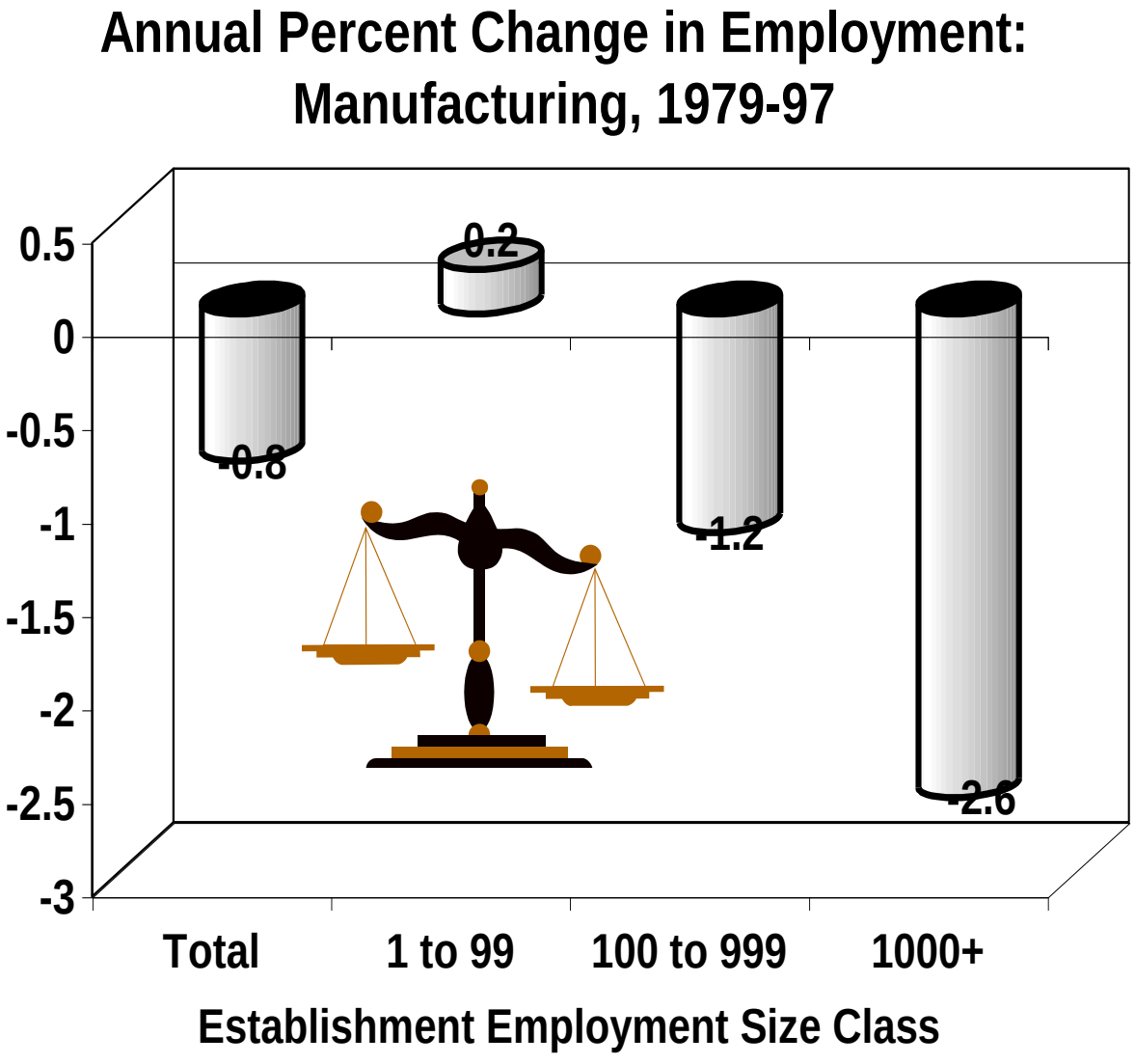


Source: County Business Patterns

Scale of Production Changes

Ford Production Line Circa 1913

Scale of Production Changes



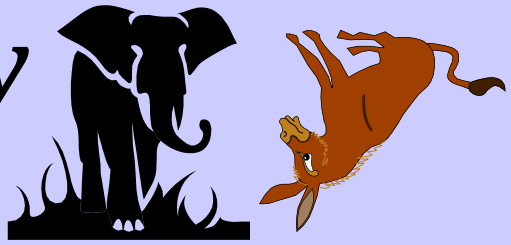
Source: County Business Patterns

Consensus Forecast

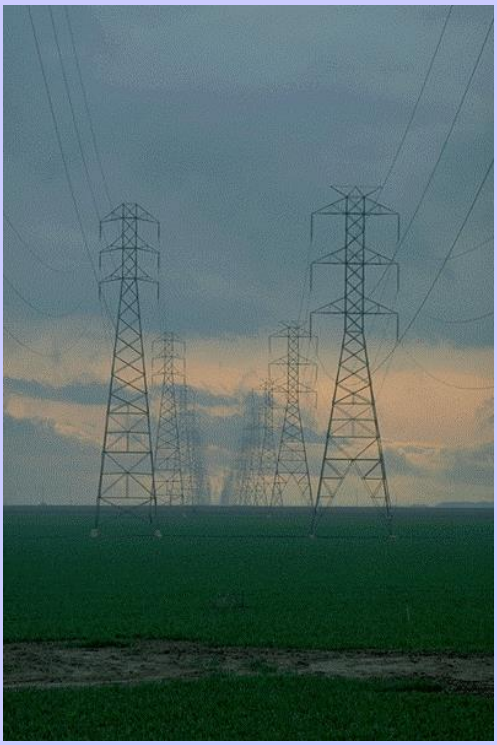
- **Technology promotes "skilled-biased" demand for workers**
- **More educated workforce in the future**
- **Employment occurs in smaller, more flexible workplaces**

Plan B?

Political/Policy Developments

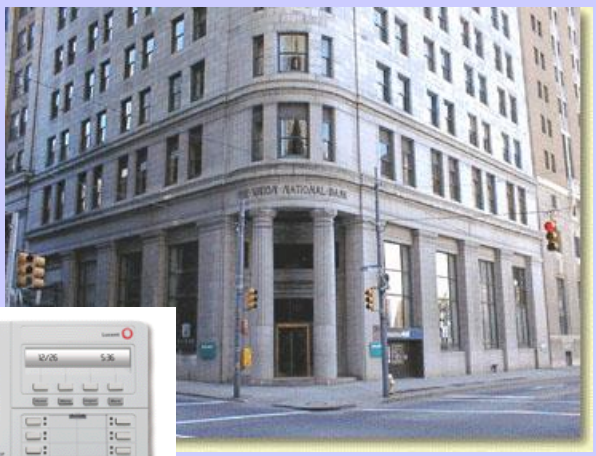


- **De-regulation of product markets**
- **De-regulation of labor markets esp. Europe, developing countries**

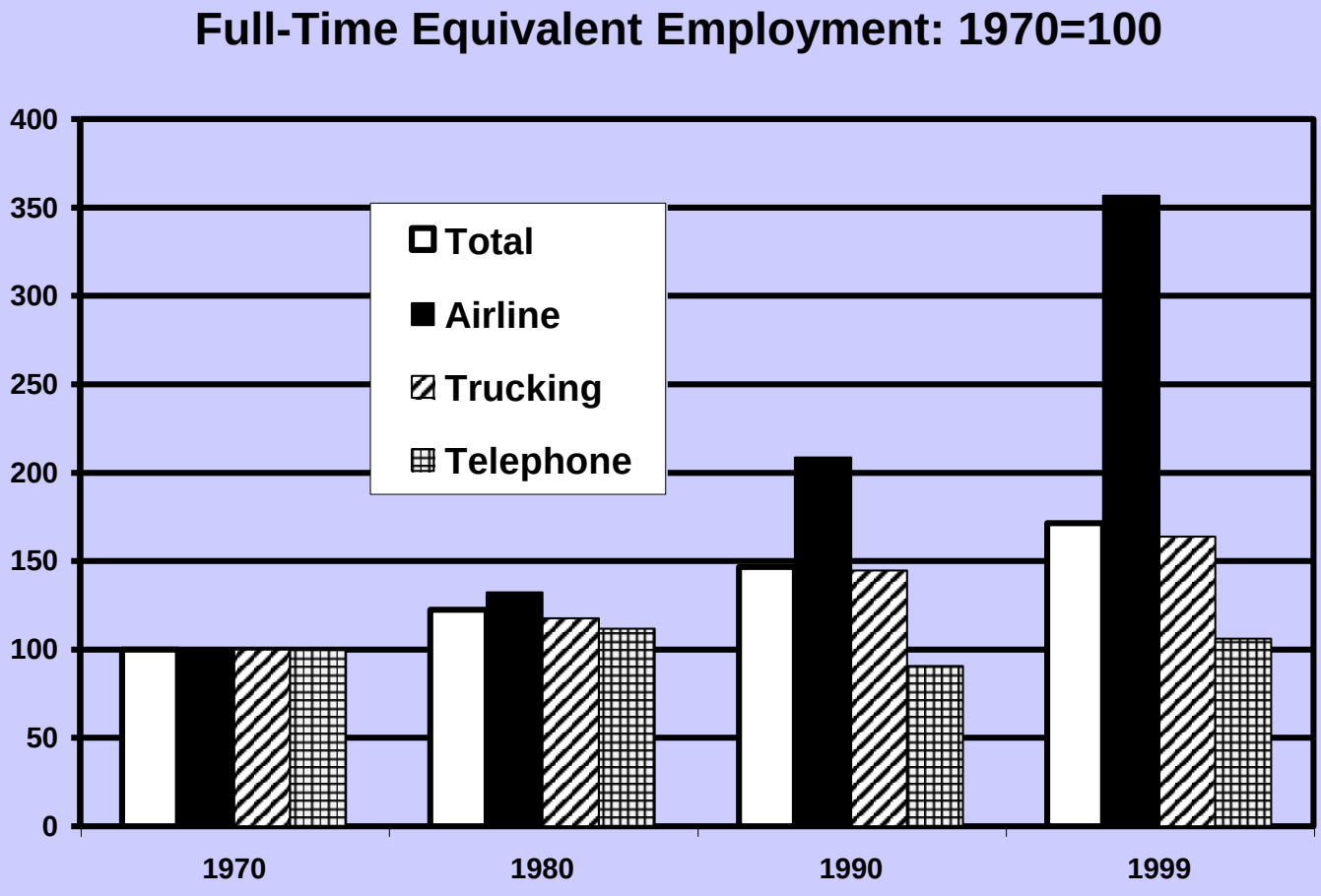


Deregulation/ privatization

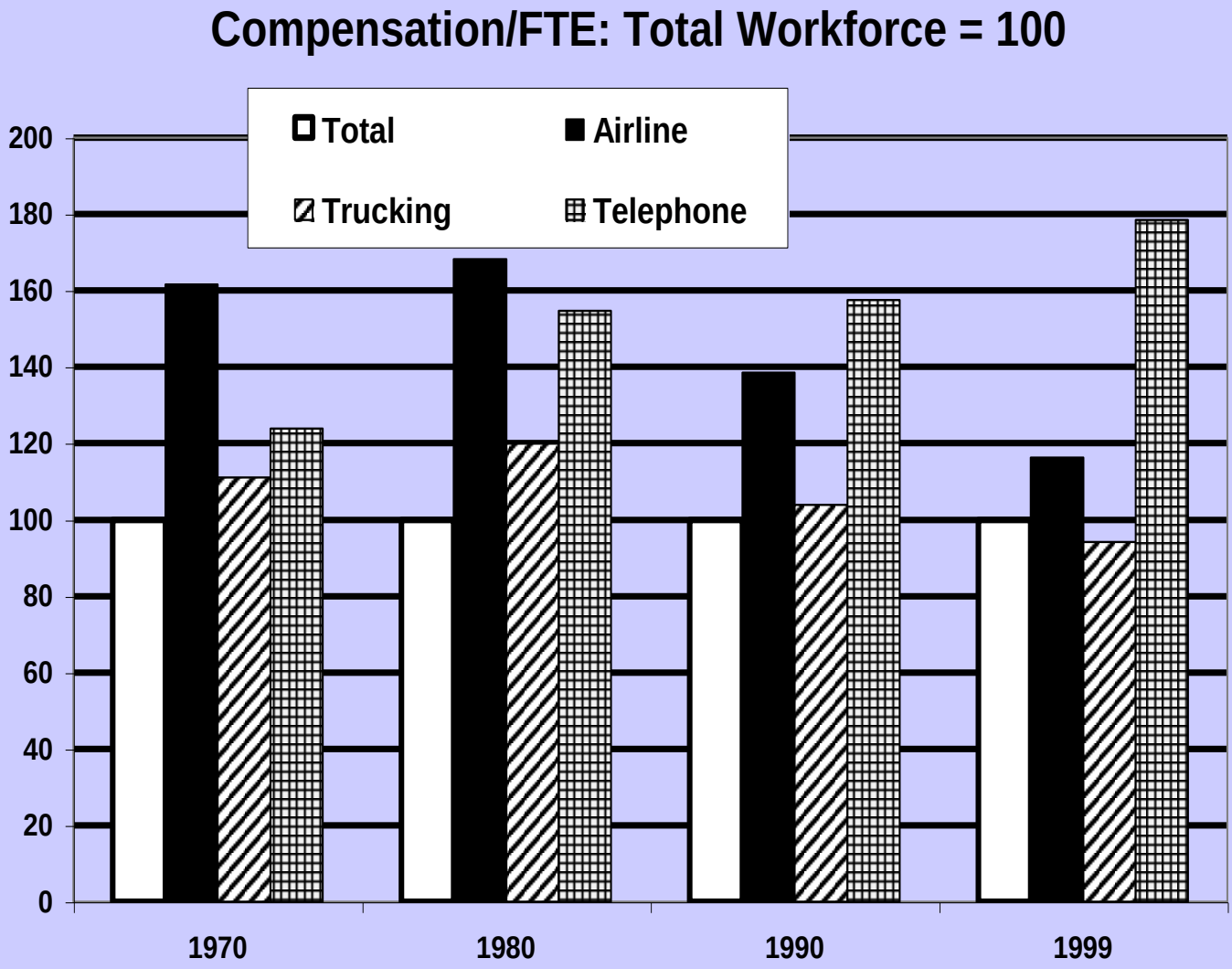
- Airlines
- Trucking
- Railroads
- Broadcasting
- Financial institutions
- Utilities



Deregulation and Employment



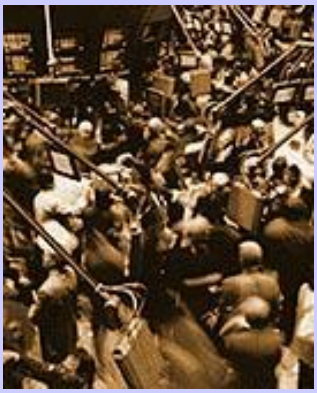
Deregulation and Pay

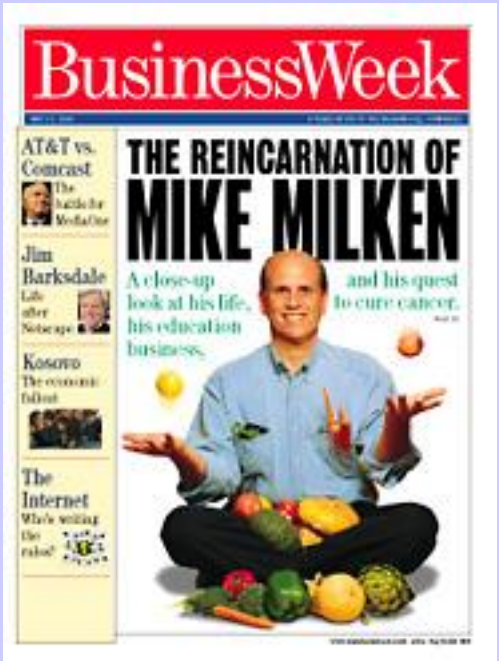


Market for corporate control

- *Mergers and acquisitions*
- *Hostile takeovers*
- *Financial approach*

Carl Icahn





T. Boone Pickens

Consensus Forecast

- **Public policy changes promote more product market competition in previously protected sectors**
- **Corporate management is itself less protected from shareholder interests**

Plan B?

World Events

- **Expansion of world trade and investment ("globalism")**
- **Terrorism and related conflict**

Argentina: Dec. 2001

The New York Times

U.S. ATTACKED

HIJACKED JETS DESTROY TWIN TOWERS AND HIT PENTAGON IN DAY OF TERROR

A CREEPING HORROR

Buildings Burn and Fall as Onlookers Search for Elusive Safety

President Vows to Exact Punishment for 'Evil'

A Somber Bush Says Terrorism Cannot Prevail

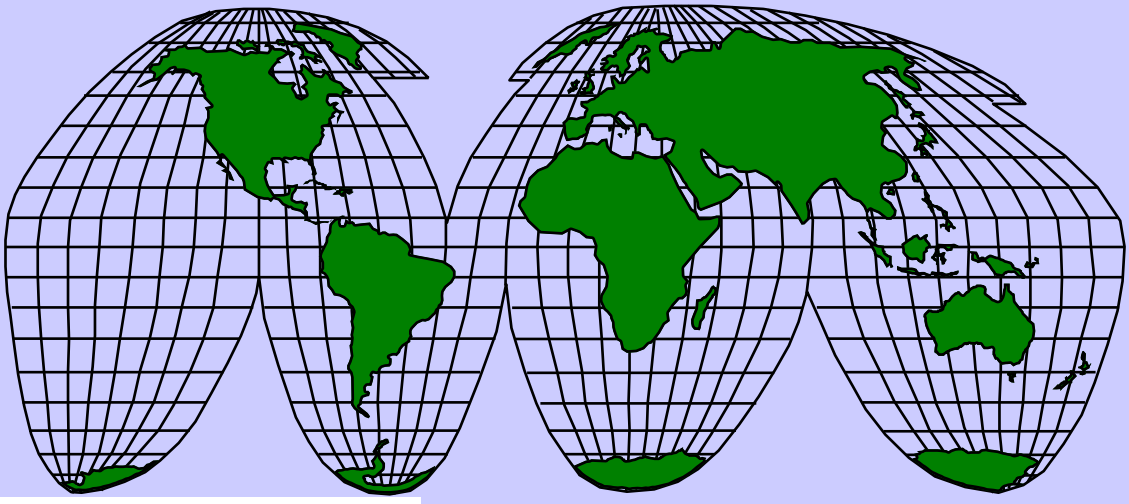
Awaiting the Aftershocks

Washington and Nation Plunge Into Fight With Enemy Hard to Identify and Punish

US: Sept. 11, 2001

New international competition

- China
- 4 Tigers
- Other Asia
- Mexico
- Eastern Europe

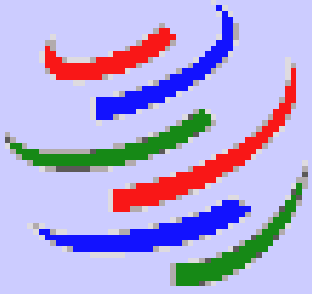


Seattle WTO Meeting: 1999

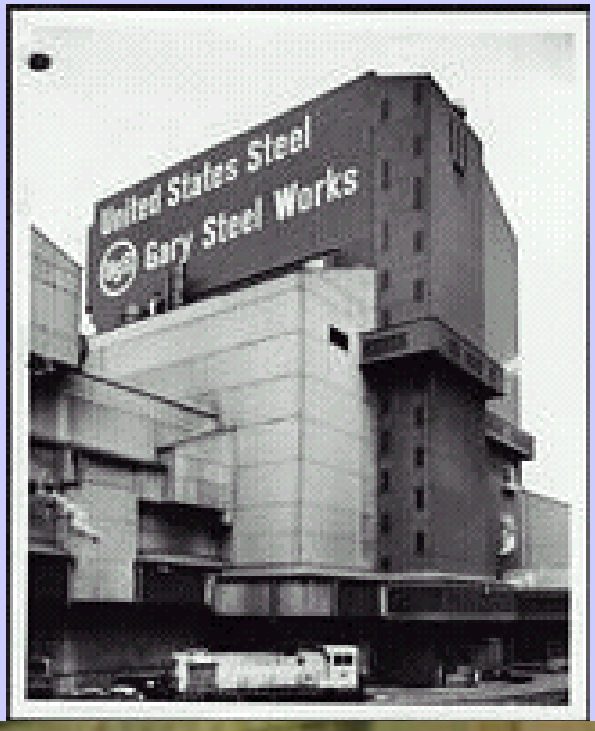
Labor Standards in International Trade

- **Through international treaties**
- **Through ILO (or WTO?)**
- **Through pressure on multinational firms**

WORLD TRADE ORGANIZATION

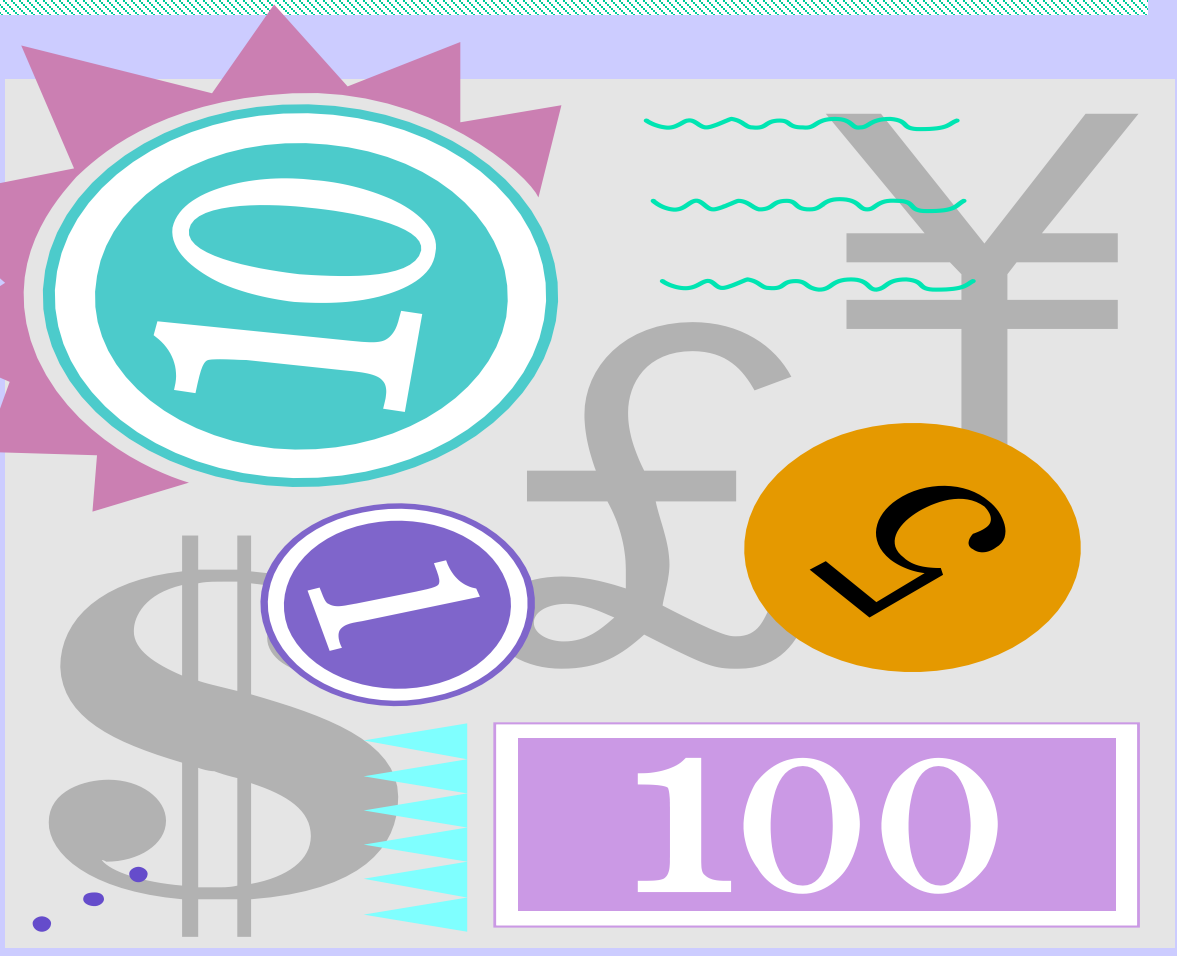


New 30% Steel Tariffs



White House photo by Moreen Ishikawa

Exchange rates

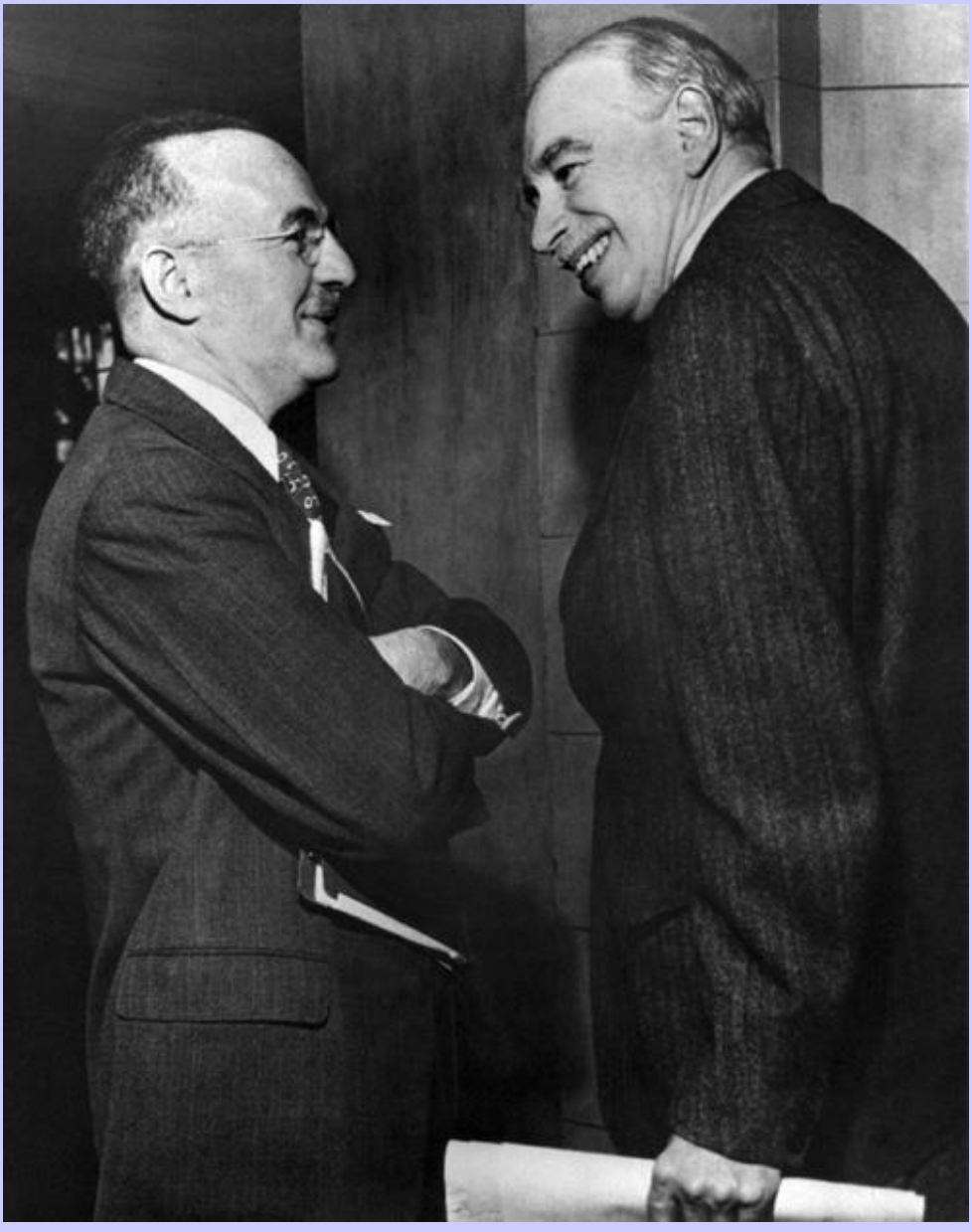


What is this?

Mt. Washington Hotel

Where is it?

Bretton Woods, N.H.



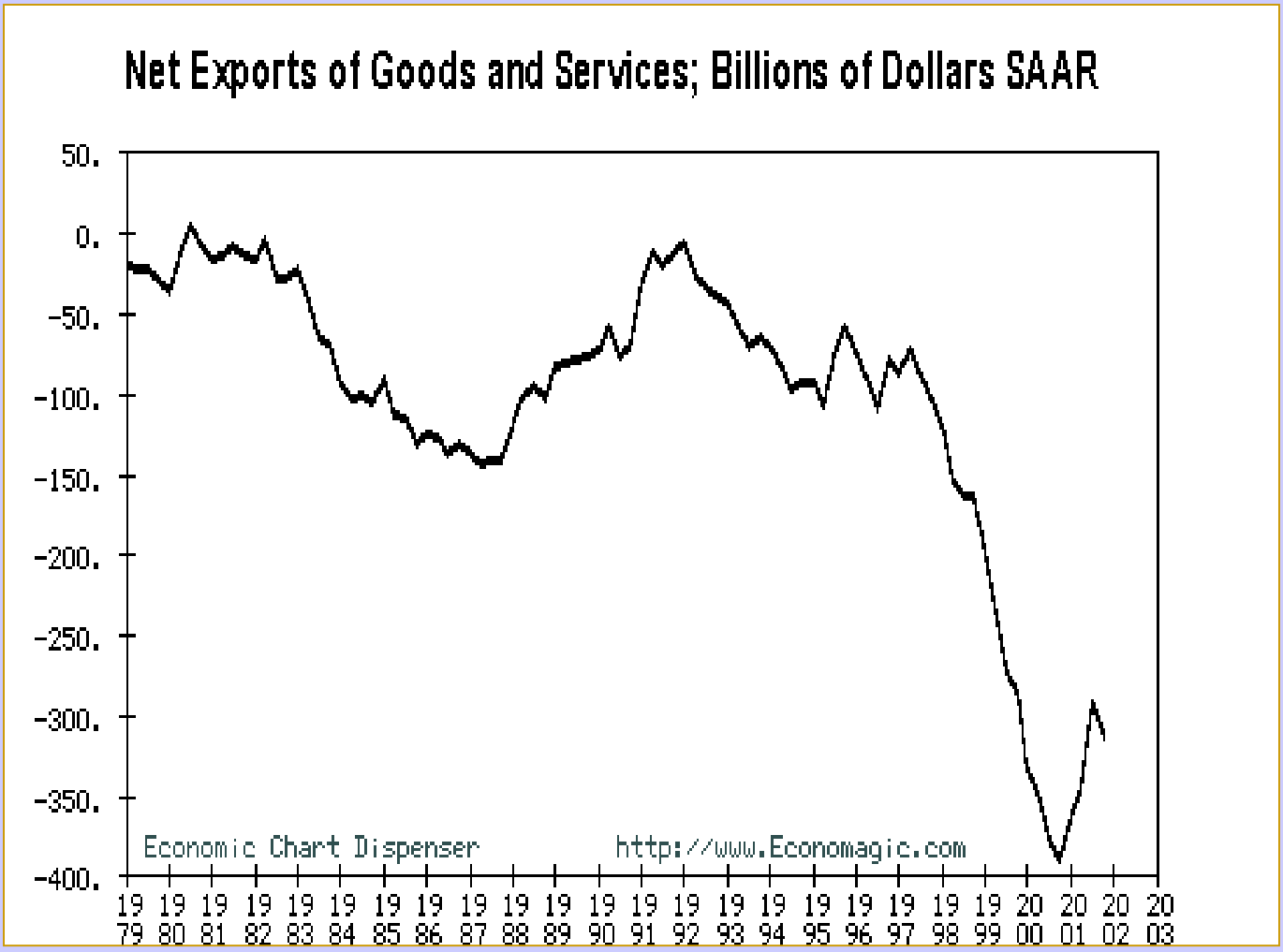
Harry Dexter White (left) and John Maynard Keynes (right)

Arthur F. Burns

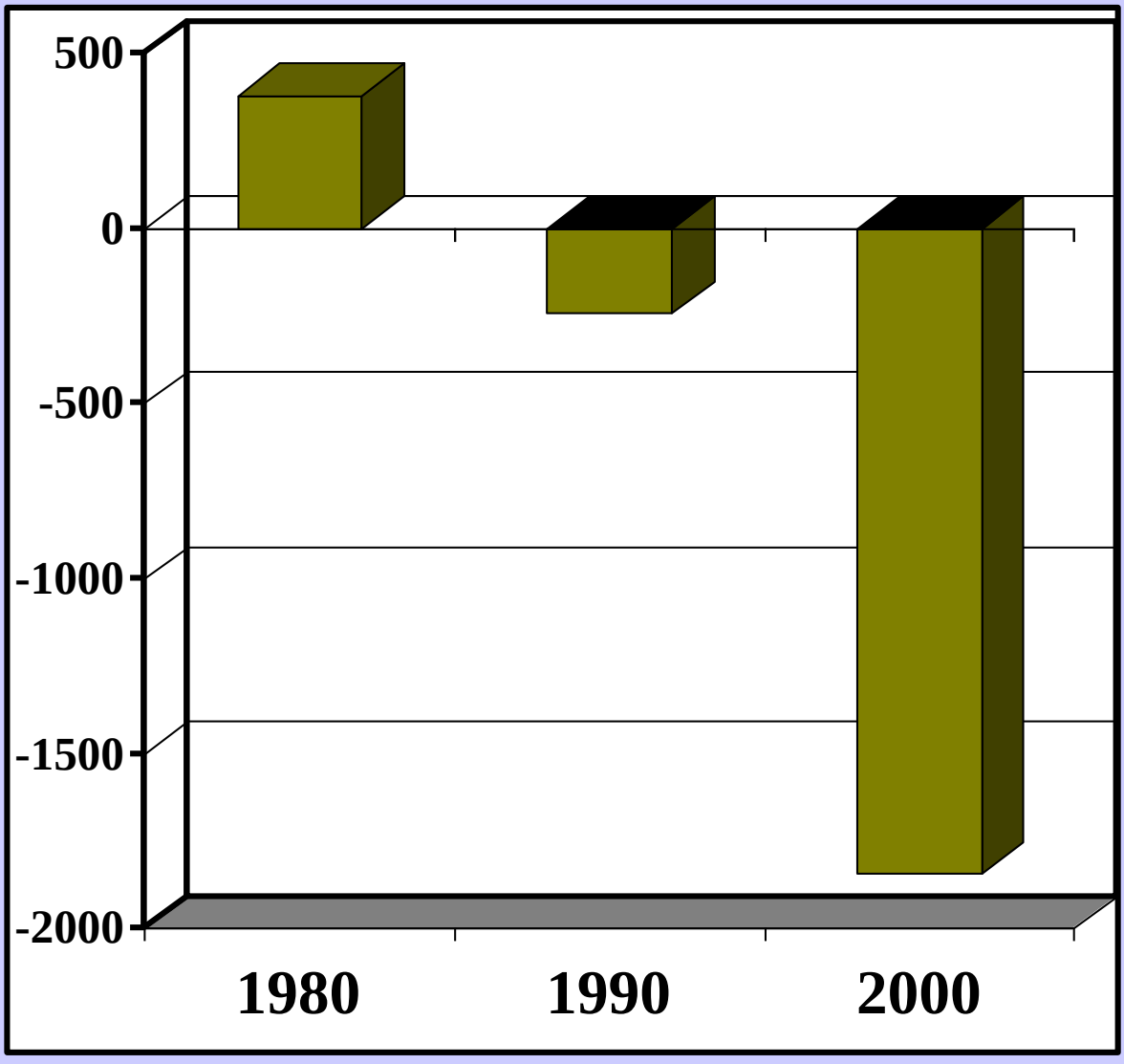
Richard Nixon

John Connally

Chronic Trade Deficit

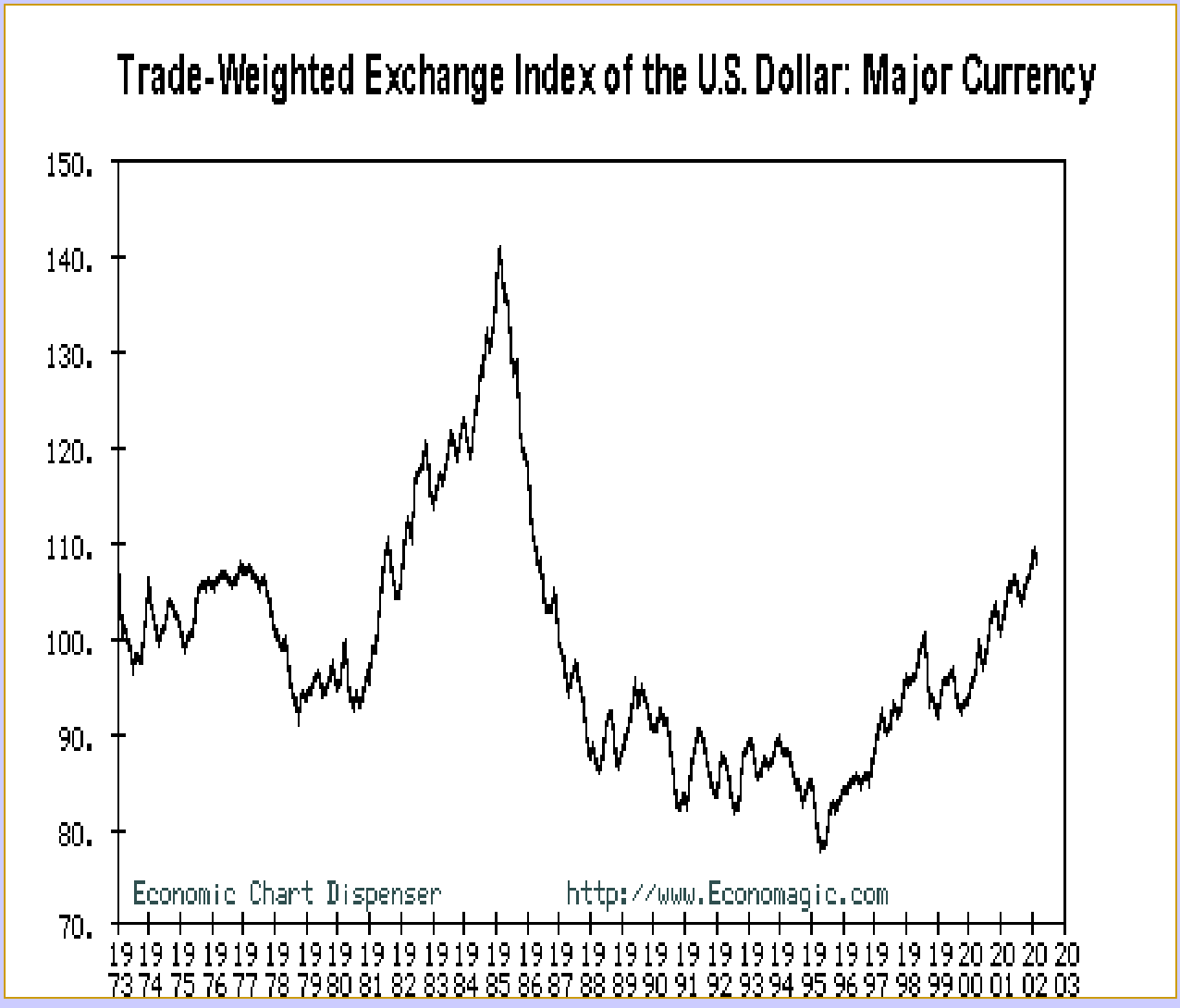


U.S. International Investment Position



Current Cost in $billions

Another Dollar Bubble?



Terrorism and World Trade

$237 billion in trade through LA customs district

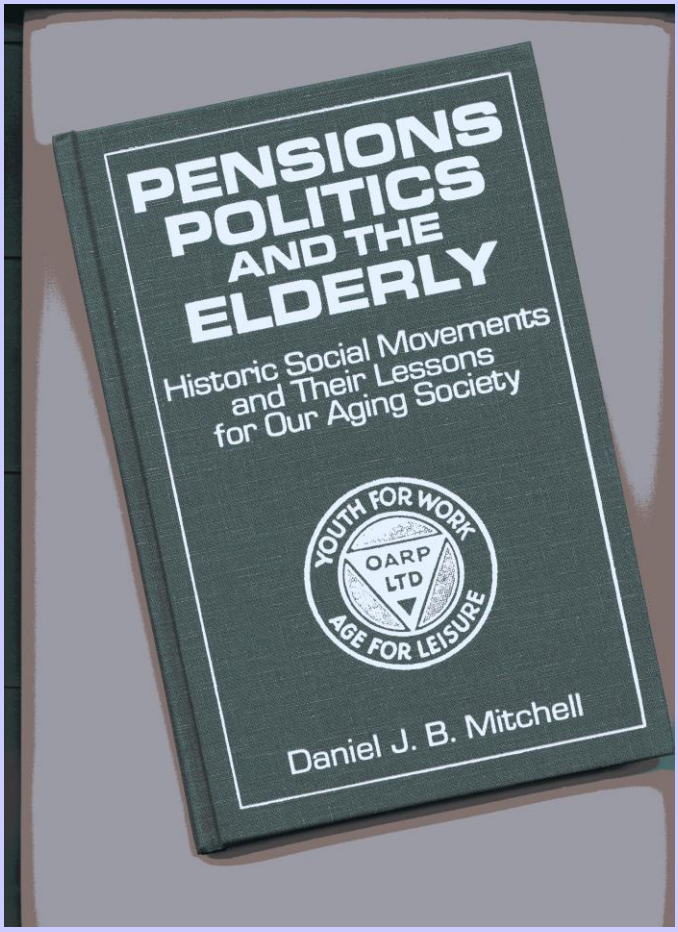
Cargo: Ship and Air Freight

??????????

- **IMF or other institutions avoid future currency crises or a new dollar crisis is brewing**
- **Trade/investment expansion continues or is halted by "protectionist" pressures à la interwar period**
- **War on terrorism is "won" or new terrorism substantially disrupts trade/investment**

Plan B?

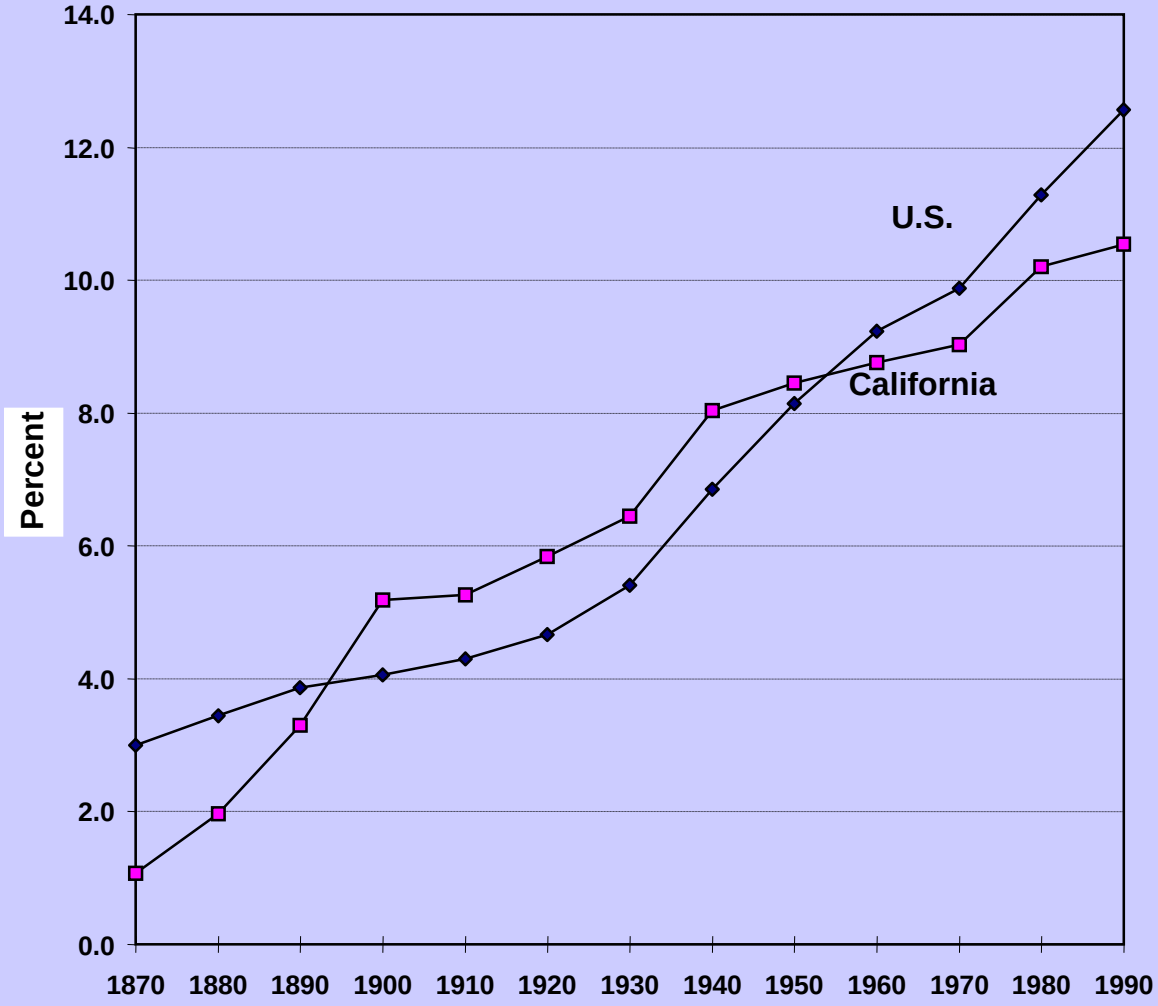
Demographics


PENSIONS POLITICS AND THE ELDERLY
Historic Social Movements and Their Lessons for Our Aging Society
YOUTH FOR WORK
OARP LTD
AGE FOR LEISURE
Daniel J. B. Mitchell

Aging of the workforce and the population

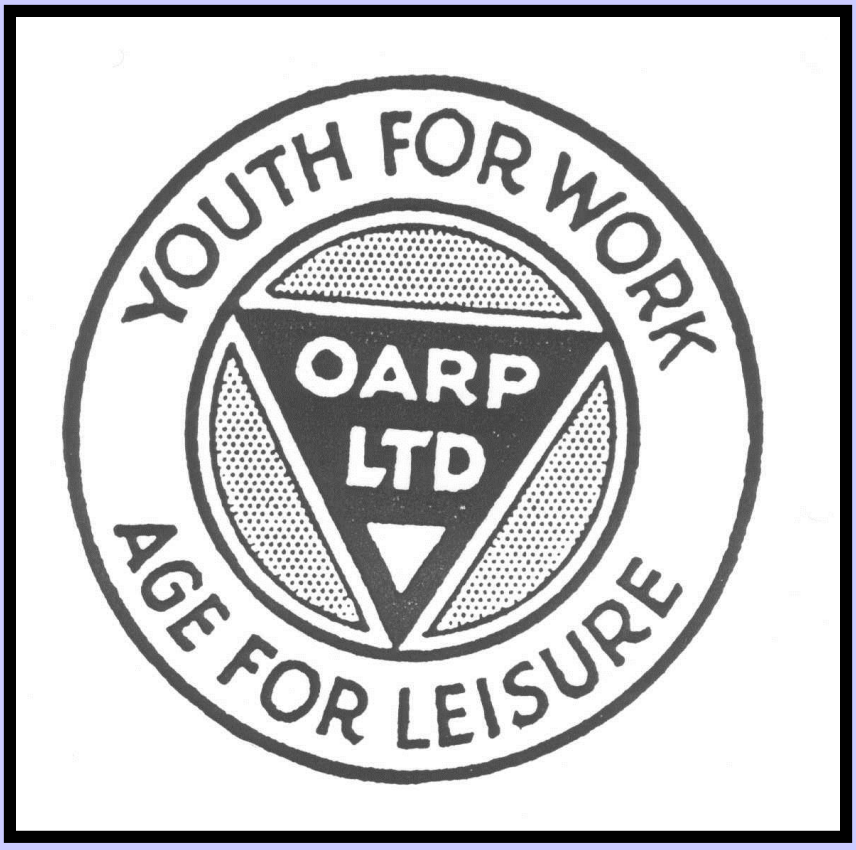
California's Demographic Past

Percent Aged 65 and Over: U.S. vs. California



Demographics

8. Gov. Frank E. Merriam (right) joining Townsend to help open the Townsend Plan's third annual convention. Held in the Los Angeles Coliseum June 20–23, 1938, the convention was attended by some 20,000 persons from all over the country.

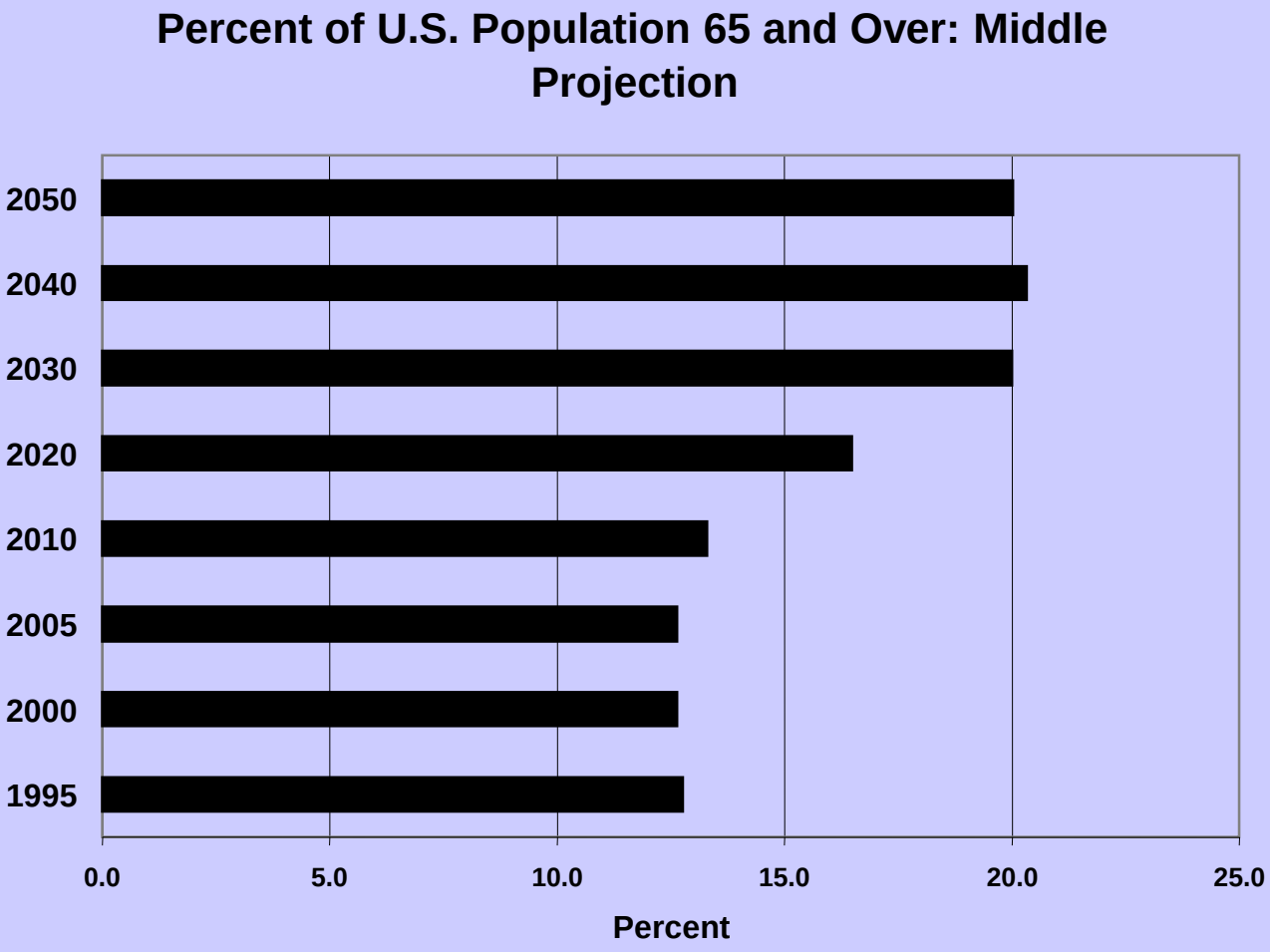


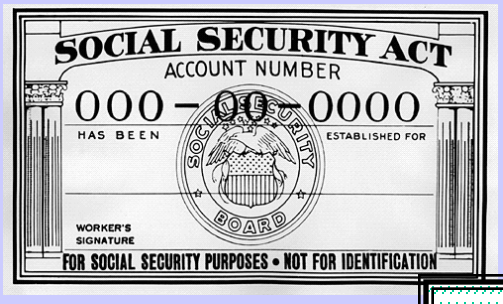
The Townsend Plan Movement

Demographics

Demographics

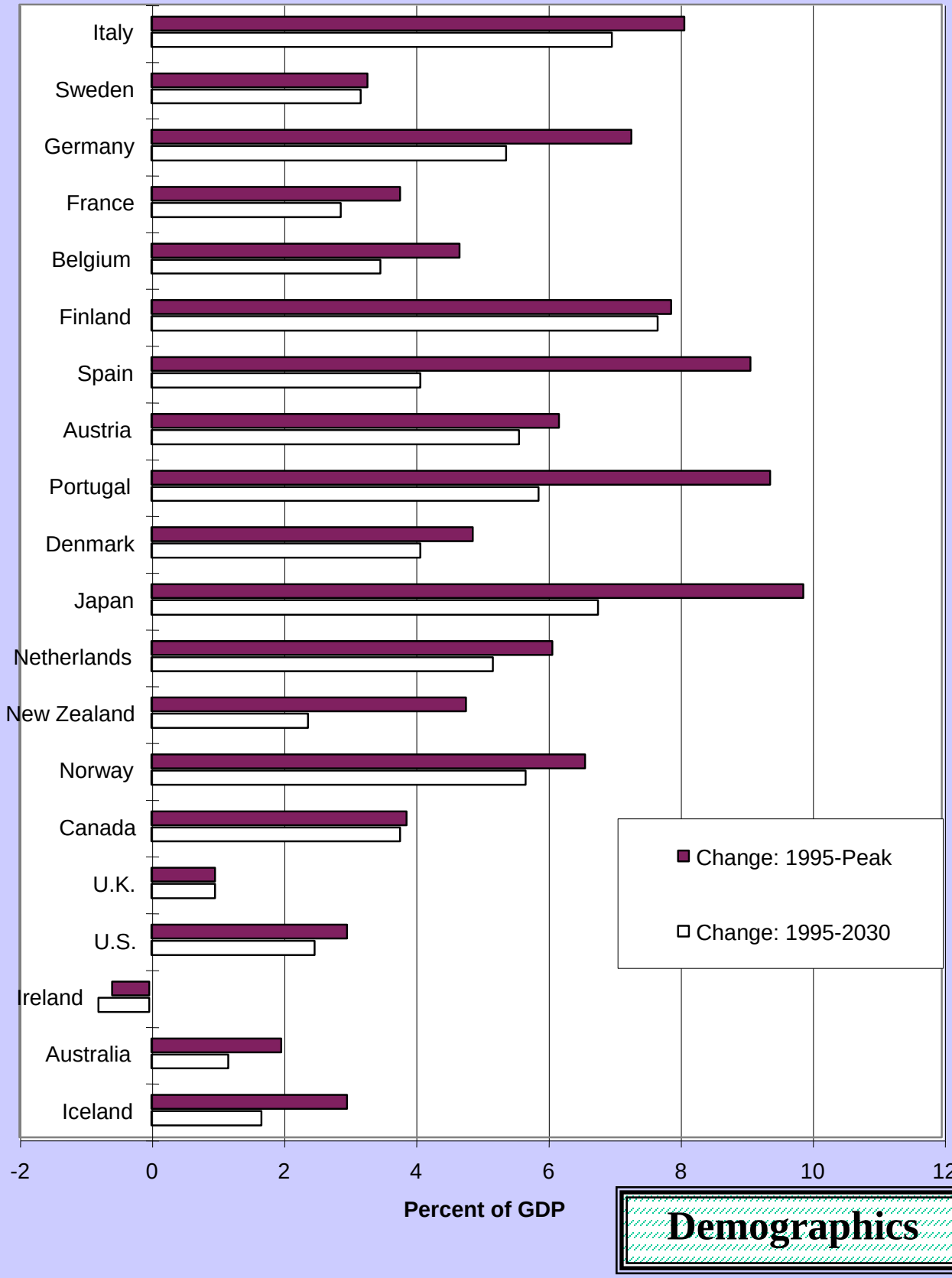
The boomers are coming!
The boomers are coming!





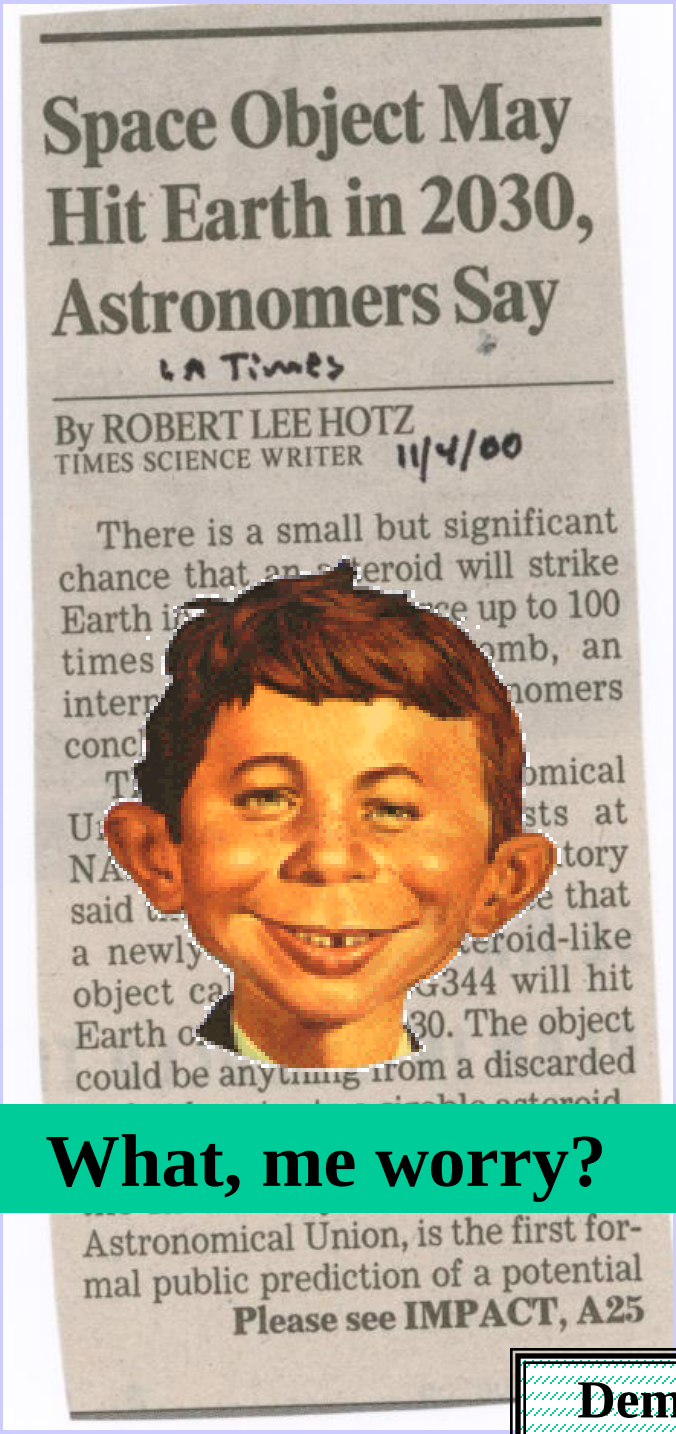
Demographics

Change in Public Pensions as Percent of GDP in 1994 Prices



Demographics

Maybe it's not a problem.



Space Object May Hit Earth in 2030, Astronomers Say

LA Times

By ROBERT LEE HOTZ
TIMES SCIENCE WRITER 11/4/00

There is a small but significant chance that an asteroid will strike Earth in [illegible] up to 100 times [illegible]mb, an [illegible]nomers conc[illegible]

T[illegible]omical U[illegible]sts at NA[illegible]tory said t[illegible]e that a newly [illegible]teroid-like object ca[illegible]G344 will hit Earth o[illegible]30. The object could be anything from a discarded

Astronomical Union, is the first formal public prediction of a potential

Please see IMPACT, A25

What, me worry?

Demographics

??????????

- **HR practices adapt to an aging workforce or demands arise for public policies/litigation to protect job and benefit security**
- **Public social insurance and retirement policies are modified in response aging population or we have “ham and eggs” in the 21st century**

Plan B?

Economics

Consensus Forecast

- US economic recovery after very mild recession
- Not the "roaring nineties" but continued growth in 2000s
- US recovery helps pull Europe, Japan, developing nations out of stagnation

Plan B?

Technology

Consensus Forecast

- Technology promotes "skilled-biased" demand for workers
- More educated workforce in the future
- Employment occurs in smaller, more flexible workplaces

Plan B?

Public policy

Consensus Forecast

- Public policy changes promote more product market competition in previously protected sectors
- Corporate management is itself less protected from shareholder interests

Plan B?

World events

?????????

- IMF or other institutions avoid future currency crises or a new dollar crisis is brewing
- Trade/investment expansion continues or is halted by "protectionist" pressures à la interwar period
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Plan B?

Demographics

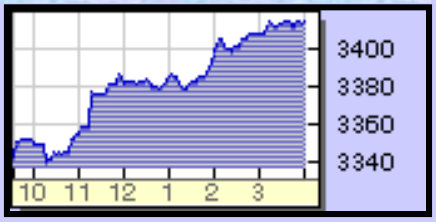
?????????

- HR practices adapt to an aging workforce or demands arise for public policies/litigation to protect job and benefit security
- Public social insurance and retirement policies are modified in response aging population or we have "ham and eggs" in the 21st century

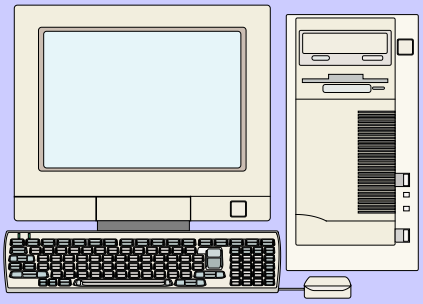
Plan B?

What is your Plan A and Plan B?

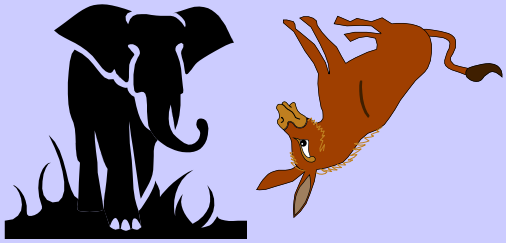
- **Economic Developments**



- **Technological Developments**



- **Political/Policy Developments**

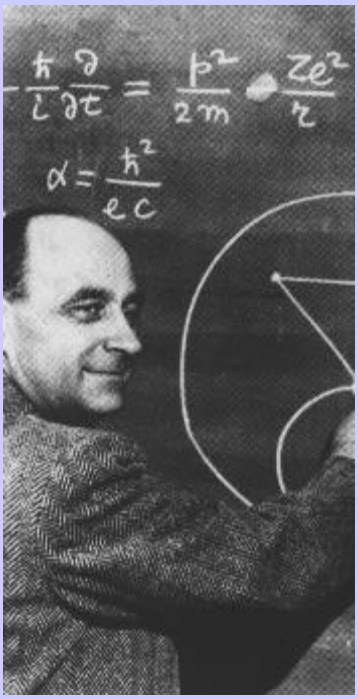


- **World Events**

- **Demographics**

“Before I came here, I was confused about this subject. Now I am still confused, but at a higher level.”

Enrico Fermi



What Might Break the HR Trend?

Advanced HR Program

April 25, 2002

Daniel J.B. Mitchell

Ho-su Wu Professor

Anderson Graduate School of Management and

School of Public Policy and Social Research